

Item 1 - Cover Page

# GuideStone Capital Management

2401 Cedar Springs Road  
Dallas, TX 75021

214.720.1176

[www.GuideStoneCapital.org](http://www.GuideStoneCapital.org)

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This document (“Brochure”) provides information about the qualifications and business practices of GuideStone Capital Management (“GSCM” or the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at 214.720.1176 or [Nathan.Hutson@GuideStone.org](mailto:Nathan.Hutson@GuideStone.org). The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

GSCM is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration of an investment adviser does not imply any certain level of skill or training. The oral and written communications of an adviser provide you with information you might use to determine to hire or retain an adviser.

Additional information about GSCM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Brochure has been updated from the previous brochure dated March 29, 2012. The material changes are as follows:

- The fee waiver and expense reimbursement contract, as noted under Item 5 (Fees and Compensation), has been extended through April 30, 2014, for each Select Fund, Asset Allocation Fund and Date Target Fund.

### **Item 3 – Table of Contents**

Item 1 – Cover Page.....	i
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	3
Item 6 – Performance-Based Fees and Side-By-Side Management.....	4
Item 7 – Types of Clients .....	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9 – Disciplinary Information .....	9
Item 10 – Other Financial Industry Activities and Affiliations.....	9
Item 11 – Code of Ethics .....	10
Item 12 – Brokerage Practices .....	12
Item 13 – Review of Accounts .....	13
Item 14 – Client Referrals and Other Compensation .....	15
Item 15 – Custody .....	15
Item 16 – Investment Discretion .....	15
Item 17 – Voting Client Securities .....	16
Item 18 – Financial Information.....	16
Brochure Supplement(s)	

#### **Item 4 – Advisory Business**

GSCM is a non-profit corporation organized under the laws of the State of Texas and is a registered investment adviser under the Advisers Act. GSCM has been in business since 1988. GuideStone Financial Resources of the Southern Baptist Convention (“GuideStone Financial Resources”) is the Adviser’s sole member, which means that GuideStone Financial Resources has membership rights in GSCM similar to that which a shareholder has in a for-profit corporation. GuideStone Financial Resources does not have management powers. GSCM is managed and directed by its board of directors.

As an adviser to the registered mutual funds, GSCM is providing investment advisory services to corporate pension and profit sharing plans, charitable institutions, foundations, endowments, churches and other evangelical organizations. In addition, GSCM provides investment advisory services to the non-registered funds and evangelical organizations. The services the Adviser offers to certain clients are as follows:

Registered Funds. GSCM serves as investment adviser for each outstanding series (each a “Fund” and collectively, the “Funds”) of GuideStone Funds a Delaware statutory Trust (the “Trust”), an open-end management investment company registered under the Investment Company Act of 1940, as amended (“1940 Act”).

Certain Funds of the Trust invest directly in different types of fixed-income obligations, stocks or other investments to meet their investment objectives (the “Select Funds”). In its capacity as investment adviser to the Select Funds, GSCM acts as a “manager of managers.” Rather than making the day-to-day investment decisions for the Select Funds, the services of other investment management firms (sub-advisers) are retained to do so. The Adviser continually monitors the performance and operations of the Funds’ sub-advisers and allocates the assets of each Fund among the sub-advisers. In addition, it oversees each sub-adviser’s adherence to its stated investment style and compliance with the relevant Fund’s investment objective, policies and guidelines. GSCM recommends to the Board of Trustees of the Trust the hiring of sub-advisers and notifies the Board of Trustees of the Trust when terminating sub-advisers. For the purpose of facilitating the transition of Select Fund assets between sub-advisers, GSCM has the authority to give investment instructions.

The remaining Funds of the Trust, the Asset Allocation Funds (the “Asset Allocation Funds”) and the Date Target Funds (the “DTFs”) invest in various mixes of the Select Funds to meet specified investment strategies. GSCM allocates each Asset Allocation Fund’s and DTF’s assets among the Select Funds. (On a more limited basis, the Adviser also makes investment decisions for the Asset Allocation Funds and DTFs pertaining to certain futures and government securities.)

Asset Allocation Funds – GSCM believes that combining investment styles and investment managers among various asset classes may reduce risk over the long term. The Asset Allocation Funds are each a “fund of funds.” Each Asset Allocation Fund invests in a pre-determined mix of the Select Funds.

Date Target Funds – (MyDestination 2005 Fund, MyDestination 2015 Fund, MyDestination 2025 Fund, MyDestination 2035 Fund, MyDestination 2045 Fund and MyDestination 2055). The DTFs are each a “fund of funds.” Each DTF invests primarily in a diversified mix of the Select Funds based on an asset allocation strategy that gradually reduces stock exposure and increases bond exposure as the targeted retirement date approaches. GSCM believes combining asset classes, investment styles and investment managers may reduce risk over the long term.

Non-Registered Funds. GSCM provides management oversight to several non-registered funds at the request of its client, GuideStone Financial Resources. These funds invest directly in different types of securities and other investments to meet their stated investment objectives. Here, as well, the Adviser serves in the role of a “manager of managers.” Rather than making the day-to-day investment decisions for these non-registered funds, GuideStone Financial Resources has retained the services of other investment management firms to perform these functions. (On a more limited basis, the Adviser also makes investment decisions for accounts of GuideStone Financial Resources pertaining to certain futures and government securities.) As with the registered funds, GSCM continually monitors the performance and operations of the investment managers on behalf of GuideStone Financial Resources.

GuideStone Advisors. GSCM is an affiliated investment adviser under the common control of GuideStone Financial Resources with GuideStone Advisors (“GA”). The Adviser develops and maintains all portfolio models utilized by GA and will develop and maintain the financial and risk assessment scoring methodology used by GA to appropriately select recommendations.

Other Clients. GSCM provides investment management services to other clients for which the Adviser supervises and directs the investment of assets in the clients’ accounts in and among the Asset Allocation Funds, DTFs, Select Funds and/or non-registered funds in accordance with the clients’ objectives, policies and guidelines.

In addition, through consultation and discussions with a client, GSCM may assist in the development of investment objectives, policies and guidelines for that client or assistance with outsourced investment solutions. The Adviser is responsible for the management and oversight of these investment guidelines and policies and ensures the underlying portfolio maintains exposure to investments based on such guidelines and policies. In addition, GSCM monitors the account for adherence to the investment objectives of the client.

GSCM only manages client assets on a discretionary basis. As of December 31, 2012, the Adviser managed \$10.6 billion in client assets.

## **Item 5 – Fees and Compensation**

Registered Funds. GSCM charges each Fund an investment advisory fee based on a percentage of net assets in the Fund. Fees will vary from Fund to Fund depending on the characteristics of the Fund. The Adviser does not have a standard fee schedule. (Until April 30, 2014, GSCM has agreed to pay the expenses of each Select Fund, Asset Allocation Fund and DTF to the extent they exceed certain limits established for each class of shares issued by the Funds.)

GSCM's fees are not generally considered negotiable, although they are subject to review and approval annually by the Board of Trustees of the Trust. The Advisory Agreement (the "Agreement") between GSCM and the Trust with respect to the Funds may be terminated at any time, without the payment of any penalty, by vote of the Board of Trustees of the Trust or by a vote of a majority of the outstanding voting securities of the Fund, upon delivery of sixty (60) days' written notice to the Adviser. The Agreement may also be terminated by GSCM at any time, without the payment of any penalty, upon delivery of sixty (60) days' written notice to the Trust. Termination of the Agreement with respect to one Fund will not affect the continued validity of the Agreement or the performance thereunder with respect to any other Fund. The Agreement will also terminate automatically in the event of assignment by any party to the Agreement.

The advisory fee is computed daily by the Trust's third party fund accountant and paid monthly to GSCM. Fees are pro-rated appropriately for partial periods either at the beginning or upon termination of an Agreement.

Non-Registered Funds. GSCM does not charge fees to the non-registered funds. However, GuideStone Financial Resources charges the non-registered funds a fee at the account level to cover expenses associated with the management oversight, administrative and operational costs incurred to oversee the account. For more information on GuideStone Financial Resources support, see Items 4 and 10 for further explanation.

Other Clients. For other clients, GSCM does not have a standard fee schedule. The fee is subject to negotiation, and the Adviser negotiates a fee with the client on a case-by-case basis, depending on the type and scope of services provided. This may be a flat fee or a fee based on assets under management. Fees are pro-rated appropriately for partial periods either at the beginning or upon termination of an agreement. Fees are billed and paid in arrears, typically quarterly. Agreements can be terminated at any time, without penalty, upon written notice as specified in the agreements. Fees are pro-rated appropriately for partial periods either at the beginning or upon termination of an agreement.

For the development, management and oversight of investment objectives, policies and guidelines for other clients, excluding the registered and non-registered funds, GSCM does not have a standard fee schedule. In certain instances, the Adviser provides other clients with services relating to the management and oversight of the asset allocation among the registered and/or non-registered funds. Fees are determined on a project basis taking into

account the scope of services performed. In some cases, a fee may not be charged. If a fee is charged, it will be computed quarterly, and an invoice will be mailed to the client within thirty (30) days following the quarter end.

Type of Client	Fee
Registered Funds	As indicated in each Fund's prospectus
Non-Registered Funds of GuideStone Financial Resources	None*
Other Clients	As negotiated with each client on a case-by-case basis; services will be charged commensurate with the project.

\*GuideStone Financial Resources receives revenue for GSCM in connection with personnel, facility and other support provided by GuideStone Financial Resources to GSCM.

Other Types of Fees and Expenses. GSCM's fees are exclusive of brokerage commissions, transaction fees and other related costs and expenses which are incurred by clients. For example, clients may incur certain charges imposed by custodians, brokers and other third parties such as fees charged by sub-advisers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. (Each Fund's fees are disclosed in the Funds' prospectus.) Such charges, fees and/or commissions are exclusive of and in addition to the Adviser's fee, and GSCM shall not receive any portion of these commissions, fees and costs.

Item 12 further describes the factors that GSCM and the sub-advisers consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

When clients follow GSCM's recommendations and invest in the Trust, benefits are provided to GSCM. GuideStone Financial Resources also receives asset-based fees from the Trust for shareholder services (related to the GS4 Class of the Select Funds) provided to the Trust and its shareholders.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

GSCM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

As an adviser to the registered mutual funds, GSCM is providing investment advisory services to corporate pension and profit sharing plans, charitable institutions, foundations, endowments, churches and other evangelical organizations. In addition, GSCM provides

investment advisory services to the non-registered funds and other evangelical organizations.

To open an institutional account, the minimum initial investment for any of the Funds is \$100,000. There are no minimums for subsequent investments or for initial purchases of additional shares in other Funds.

### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

For clients where GSCM acts as a manager-of-managers, GSCM does not make day-to-day security level investment decisions, except in order to facilitate the transition of Select Fund assets between sub-advisers, GSCM has the authority to give investment instructions. Accordingly, the Adviser does not engage in securities analysis and, therefore, does not apply any type of security analysis method to those clients' accounts.

GSCM uses qualitative and quantitative research from various internal and external sources to select and monitor the sub-advisers and other investment management firms, who provide day-to-day portfolio management for those clients' accounts. Sources of external information include, but are not limited to, Bloomberg Finance L.P., Zephyr Associates, Inc., Russell Investment Group, BlackRock Financial Management, Inc., FactSet Research Systems Inc., Morningstar Inc., NYSE Market, Inc., BNY Mellon Investment Servicing (US) Inc., RiskMetrics Group Inc. (Institutional Shareholder Services Inc.), MSCI Inc., Capital Economics (N.A.) Ltd, Crandall, Pierce & Company, eVestment Alliance, LLC and Russell Investment Management Company. These are widely used services that compile and make commercially available various types of fund and portfolio manager data.

GSCM analyzes the information gathered about potential and existing sub-advisers and other investment management firms in order to advise its clients about selection and retention of those sub-advisers or other investment management firms. Investment styles go through cycles, and there will be periods of time in which performance may not meet client objectives.

For clients where GSCM advises on the selection and/or asset allocation of investment funds (the Select Funds, Asset Allocation Funds, DTFs and/or non-registered funds using a similar approach), GSCM's strategy is to select investments based on each client's objectives, policies and guidelines, which may be developed by or in consultation with the client.

Registered Funds. GSCM's primary investment vehicles for this purpose are the Funds. Each Fund has its own unique risks based on its investment objective and principal investment strategies. The investment strategies employed by the Funds include: traditional U.S. long only equity strategies in small- to large-sized companies with an emphasis on growth, value or a combination of growth and value stocks; non-U.S. long only equity strategy in foreign companies diversified across different industries and economic

sectors (i.e., developed and emerging markets); real estate strategy including equity securities of real estate investment trusts (REITs); defensive market strategy that combines U.S. long only equity, long-short equity and convertible bond strategies to obtain investment returns consistent with the equity market but with lower volatility when compared to the equity market; fixed income duration-oriented strategies diversified among a large number of companies across different industries; global bond strategy diversified across different industries and sectors; inflation-indexed strategy that involves debt issued by U.S. and foreign governments and their agencies and instrumentalities; and money market strategy. Additional investment strategies used by the Funds may include the trading of derivatives, foreign currency hedging, portable alpha and leverage (i.e., 130/30 strategy). These risks are described in the prospectus for each Fund.

Non-Registered Funds. In addition to the registered funds, GSCM may advise on the utilization of the non-registered funds. Each non-registered fund has its own unique risks based on its investment objective and principal investment strategies. These risks are noted in the objectives, policies and guidelines for each non-registered fund.

Risks. Investing in any type of security involves risk of loss that clients should be prepared to bear. The performance of a fund or strategy will depend on how successfully the adviser and/or sub-advisers pursue their investment strategies. Past performance is not indicative of future results.

The following general risks can generally be applied to all the registered funds and the non-registered funds:

- Market Risk is the risk that the value of securities owned will decline, at times sharply and unpredictably, due to factors that affect the overall performance of the financial markets. Sources of market risk include, but are not limited to, business developments concerning a particular issuer, industry or geographic region, changes in general market, economic, political and regulatory conditions and certain unanticipated events, such as natural disasters, terrorist attacks, war and geopolitical events.
- Principal Risk is the risk that an investment will decline below the original or invested amount.
- Management Risk is the risk that an adviser or sub-adviser may fail to execute a fund's investment strategy effectively, which may cause a decline in the value of a fund.
- Portfolio Turnover Risk is the risk that high portfolio turnover may lead to increased tax effects and trading costs that may result in lower investment returns. High portfolio turnover may be attributable to the restructure of a portfolio account, a change in circumstances of a particular company or within a particular industry or in general market, economic or financial conditions. In addition, high portfolio turnover may also result in higher short-term capital gains taxable to investors.
- Securities Lending Risk is the risk that a borrower of a fund's securities fails financially and the fund's recovery of the loaned securities may be delayed or the fund may lose its

rights to collateral which could result in a loss to a fund. The registered and non-registered funds utilize various strategies (for example, only making fully collateralized and bank guaranteed loans) to reduce related securities lending risk.

The following risks are more specific to a specific asset category of investment:

### Equities

- Foreign Securities Risk is the risk that foreign (non-U.S.) issuers may be negatively affected by political events, economic conditions or inefficient, illiquid or unregulated markets in foreign countries. Foreign issuers may be subject to inadequate regulatory or accounting standards, which may increase investment risk.
- Small- and Mid-Cap Stock Risk is the risk that stocks of smaller or medium-sized companies may be subject to greater investment risk than large-company stocks. The risks generally associated with these companies include more limited product lines, markets and financial resources, lack of management depth or experience, dependency on key personnel and vulnerability to adverse market and economic developments. Accordingly, the prices of smaller or medium-sized company stocks tend to be more volatile than prices of large-company stocks.

### Real Estate

- Real Estate Investment Trusts (“REITs”) Risk is the risk that the value of an account will be affected by factors affecting REITs and the real estate sector generally. REITs whose underlying properties are concentrated in a particular industry or geographic region are subject to risks affecting such industries and regions. Equity REITs may be affected by changes in the value of the underlying properties they own, while mortgage REITs may be affected by the quality of any credit they extend. Equity and mortgage REITs are dependent upon management skills and are subject to heavy cash flow dependency, defaults by borrowers and self-liquidation. REITs (especially mortgage REITs) are also subject to interest rate risks.

### Fixed Income

- Interest Rate Risk is the risk that the value of assets will decline in response to rising interest rates. Fixed-income securities typically drop as interest rates rise and vice versa. The longer the duration of a security, the more sensitive the security is to declines in value than a security with a shorter duration.
- Credit (or Default) Risk is the risk that an issuer of a fixed-income security may fail to pay interest or even principal due in a timely manner or at all adversely affecting the investment’s value and returns. Changes in the credit rating of a fixed-income security may have a similar effect. While all fixed-income securities are subject to credit risk,

lower-rated securities and securities with longer final maturities generally have higher credit risks and higher risk of default.

The registered and non-registered funds may use long or short positions in derivatives such as, but not limited to, swaps, equity futures contracts and U.S. Treasury futures contracts, as well as options, in order to maintain market exposure, to reduce market exposure, to maintain liquidity or to commit cash pending investment. The use of derivatives may reduce a fund's return and increase volatility. An investment in derivatives may rise or fall more rapidly than other investments. These transactions are subject to changes in the value of the underlying security on which such transactions are based, which could significantly impact performance. Derivatives are also subject to counterparty risk, which is the risk that the counterparty to the derivative instruments may fail to make required payments or otherwise comply with the derivative instruments' terms. In addition, some derivatives are more sensitive to interest rate changes and market price fluctuations than other securities. The possible lack of a liquid secondary market for derivatives and the resulting inability of a fund to sell or otherwise close a derivatives position could expose a fund to losses. A fund could also suffer losses related to its derivatives positions as a result of unanticipated market movements, which losses are potentially unlimited. There is the risk that changes in the value of a derivative may not correlate well with an underlying asset, rate or index. Derivatives may also involve additional expenses, which would reduce any benefit or increase any loss of a fund using the derivative.

Some derivatives used may involve leverage (e.g., an instrument linked to the value of a securities index may return income calculated as a multiple of the price movement of the underlying index). This economic leverage could increase the volatility of these instruments as they may increase or decrease in value more quickly than the underlying security, index, futures contracts or other economic variable. A Fund is required to segregate permissible liquid assets to cover its obligations relating to its purchase of certain derivative instruments.

*Socially Responsible Investing.* GSCM has been engaged to implement a socially responsible investment policy on behalf of GuideStone Financial Resources. This policy is applied to all Funds and, as applicable, to the non-registered funds. As such, the registered and non-registered funds may not invest in any company that is publicly recognized, as determined by GuideStone Financial Resources, as being in the liquor, tobacco, gambling, pornography or abortion industries, or any company whose products, services or activities are publicly recognized as being incompatible with the moral and ethical posture of GuideStone Financial Resources. The registered and non-registered funds may not be able to take advantage of certain investment opportunities due to these restrictions and, as a result, may realize lower investment returns than would be possible without these restrictions. This policy as applied to the Funds may not be changed without the vote of a majority of the outstanding shares of the Funds.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of GSCM or the integrity of its management. GSCM has no information to disclose applicable to this item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

For purposes of efficiency, consistency and overall corporate governance, persons may serve in officer or other roles of GSCM and one or more affiliates. However, GSCM has a Code of Ethics that governs the activities of its personnel. Additionally, GuideStone Financial Services (“GSFS”) and the Trust, each an affiliate of GSCM, has a Code of Ethics that governs the activities of its personnel.

GSCM has several financial industry affiliates:

*GuideStone Financial Services.* GSFS is a registered broker-dealer under common control of GuideStone Financial Resources along with GSCM. GSCM has four managerial persons that are registered representatives of GSFS. These individuals include the Vice President and Investment Officer (Director of Portfolio Management), Vice President and Investment Officer (Global Investment Strategist), Senior Vice President and Chief Operating Officer and Manager, Client Services and Sales. As registered representatives, these individuals are licensed to offer and sell shares of the Funds.

*GuideStone Funds.* As referenced previously, the Trust is a registered investment company. GSCM serves as investment adviser to the Trust and provides recommendations on the hiring and termination of sub-advisers. The Adviser determines investment strategy and provides investment direction and oversight through a "manager of managers" approach. In addition, the Adviser continually monitors the performance and operations of each sub-adviser and allocates the assets among the sub-advisers.

*GuideStone Advisors.* GA is an SEC-registered investment adviser under the common control of GSFR along with GSCM. GA provides personalized, system-generated retirement plan reporting via a customized, third-party software tool. The report consists of two main components: (1) Fund-specific investment advice or asset class guidance; and (2) a retirement income gap analysis. GSCM develops the asset allocation models and capital market assumptions that are used to generate the report. The asset allocation models determine the Fund-specific investment advice or asset class guidance that is provided; whereas, the capital market assumptions are used within the software tool's retirement income gap analysis in conducting its probability analysis. GSCM specifically developed: (1) the identified portfolio models that are allocated to the Funds based on investment style; (2) the DTFs and their corresponding investment glide paths; (3) the scoring methodology used to translate retirement plan participant answers from the customized financial and risk assessment questionnaire to a portfolio model recommendation; and (4)

the capital markets assumptions used within the software tool that include the risk, return and correlation measures for various asset classes.

GuideStone Financial Resources. As described in Item 4, GSCM serves as investment adviser to accounts of its sole member GuideStone Financial Resources and provides recommendations on the hiring and termination of investment management firms and investment strategies. The Adviser determines investment strategy and provides investment direction and oversight through a “manager of managers” approach. In addition, the Adviser continually monitors the performance and operations of each investment management firm or investment and allocates the assets among them.

GuideStone Financial Resources receives revenue for GSCM in connection with personnel, facilities and other support provided by GuideStone Financial Resources to GSCM.

GSCM and GuideStone Financial Resources rely on an exemption and exclusion from registration as a commodity pool operator and/or commodity trading advisor concerning their operations with investment companies and church plans.

#### **Item 11 - Code of Ethics**

In providing investment advice, GSCM primarily recommends the Funds for clients other than GuideStone Financial Resources. Affiliates and personnel of GSCM buy and sell for themselves these same securities (the Funds), but only in accordance with GSCM's Code of Ethics.

GSCM has adopted a Code of Ethics in which GSCM recognizes and establishes that GSCM and its personnel owe a fiduciary duty to the clients with which the firm engages. All of GSCM's personnel must adhere to this fiduciary duty in all of their business activities. Even when a particular activity is not specifically addressed in the Code of Ethics or other parts of GSCM's policies and procedures, supervised persons are required at all times to place the interests of the client first.

GSCM's Code of Ethics states that GSCM and its personnel must always place the interests of the clients first and that GSCM and its personnel must at all times comply with applicable federal securities law, including the 1940 Act and the Advisers Act. The Code of Ethics requires GSCM's personnel to report their personal securities holdings and transactions to GSCM for review. The giving and receiving of gifts by or to personnel of GSCM are restricted and monitored for potential conflicts of interest.

The Code of Ethics also requires that personnel report any violations to GSCM's Chief Compliance Officer.

Annually, GSCM provides copies of the Code of Ethics to its personnel. Personnel are required to attest to having received, read and understood the Code of Ethics and that they will abide by it.

The Code of Ethics permits those certain officers and personnel who may have access to information about client account transactions ("Access Persons") to purchase and sell securities for their own account in accordance with the provisions of the Code of Ethics pertaining to personal trading. The Code of Ethics is intended to address potential conflicts of interest that can arise in connection with personal trading activities of such persons. Access Persons are generally permitted to engage in personal securities transactions subject to certain restrictions, which include among others, blackout periods, pre-clearance requirements for investments in initial public offerings (IPOs) and limited offerings and annual and quarterly reporting of personal securities holdings. The Code of Ethics also includes an Insider Trading Policy, which defines material nonpublic information, prohibits trading on insider information in violation of the law and specifies procedures to follow in handling such information. Violations of the Code of Ethics are subject to sanctions imposed by the Adviser's President.

Under the Code of Ethics, GSCM's personnel, directors and certain employees and directors of GuideStone Financial Resources may purchase or hold securities that are also recommended for purchase or sale by the sub-advisers to the Funds. Personal security transactions by persons who are deemed to be Access Persons under Rule 17j-1 of the 1940 Act requires various reporting, disclosure and approval requirements. Compliance with the Code of Ethics is mandatory for all Access Persons.

GSCM, as investment adviser to the Asset Allocation Funds and DTFs, determines the asset allocation of each Asset Allocation Fund and DTF among the Select Funds, for which the Adviser also serves as investment adviser. As a result, the Adviser may or may not be considered to be "recommending" securities to the Asset Allocation Funds and DTFs. Nonetheless, this creates a potential conflict of interest in that GSCM would be paid more advisory fees if it allocates more Asset Allocation Fund and DTF assets to the Select Funds that pay the Adviser higher advisory fees than other Select Funds. This potential conflict of interest is addressed in several ways. The Adviser's discretion in allocating assets to the Select Funds is limited, since each Asset Allocation Fund and DTF has pre-defined target and potential ranges used for allocating its assets among asset classes (and therefore among the Select Funds). In addition, the Adviser's allocations for the Asset Allocation Funds and DTFs will be regularly reported and subject to review by the Board of Trustees of the Trust, including those Trustees who are not "interested persons" of the Trust as defined by the 1940 Act. This will include scrutiny of the performance of the Asset Allocation Funds and DTFs against certain peer groups and other relevant benchmarks. Further, GSCM's fiduciary responsibility and internal policies do not permit the firm to put its own interests ahead of the interests of the Asset Allocation Funds and DTFs when allocating assets.

Certain other clients engage GSCM to invest client assets in the Funds in order to meet the client's investment objectives, policies and guidelines. This creates a conflict of interest for GSCM, because it is paid an investment advisory fee by the Funds based on assets invested in the Funds and because certain affiliates of the Adviser have an ownership interest in the Funds. A conflict of interest could also arise for GSCM in selecting among the Funds in which to invest a client's assets because the Adviser's fees among the Funds vary. All fees paid to GSCM by the Funds are disclosed to clients that hire the Adviser for these services, and clients receive a copy of the prospectus of the Fund(s) in which their assets are invested. Also, the Adviser's selection of Funds is subject to the client's investment objectives, policies and guidelines. In addition, the Funds selected by GSCM for a client's account and the asset allocation represented by those selections are disclosed to the client on a regular basis.

GSCM clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the Chief Compliance Officer.

## **Item 12 - Brokerage Practices**

*Selection of Brokers.* Consistent with GSCM's fiduciary responsibility to its clients, policies and procedures have been adopted by GSCM in order to review and evaluate the firm's practices in connection with execution. It is GSCM's goal, through an on-going, periodic process of evaluating the quality of the execution and any research GSCM receives and the related costs, to maximize the value of investment decisions and to identify, address and disclose any conflicts of interest. Subject to applicable limitations of the federal securities laws and the requirement to seek the best net result in terms of price and execution, in selecting broker-dealers for the registered and non-registered funds, GSCM, the sub-advisers and other investment management firms consider various relevant factors, including, but not limited to: (i) the broker's execution capability; (ii) the broker's perceived financial stability; (iii) the broker's responsiveness to transaction requests; and (iv) the broker's clearance and settlement capability.

*Products, Research and Services from Brokers (Soft Dollar Practices).* On behalf of each client, GSCM may, in its discretion and in compliance with Section 28(e) of the Securities Exchange Act of 1934, as amended, use brokers that provide the Adviser with research, analysis, advice and similar services to execute portfolio transactions on behalf of such clients. GSCM may pay those brokers in return for brokerage and research services a higher commission than may be paid to other brokers, so long as the Adviser determines in good faith that such commission is reasonable in terms either of the particular transaction or of the overall responsibility of the Adviser to its other clients and that the total commissions paid by such clients will be reasonable in relation to the benefits to such clients over the long term. Such services received from brokers may include, but are not limited to, information as to the availability of securities for purchase or sale and statistical or factual information or opinions pertaining to investments. GSCM may use research and services provided to it by brokers in servicing all its clients.

GSCM may, from time to time, receive services and products that serve both research and non-research functions. In such event, the Adviser will make a good faith determination of the anticipated research and non-research use of the product or service and will allocate brokerage only with respect to the research component.

Directed Brokerage. Subject to its obligation to seek best execution, GSCM at the request of the Board of Trustees of the Trust directs trades through designated brokers who have agreed to pay certain transfer agency, custody or other operating expenses that the Funds would otherwise be obligated to pay. Currently, Directed Brokerage Agreements are in place with two firms. The Adviser has established informal guidelines that 20% to 25% of transactions in any of the Funds and certain non-registered funds will be directed, if appropriate, for each respective sub-adviser and/or Fund.

Affiliated Brokerage. In certain circumstances (*i.e.*, transition management), transactions could be made that place Fund and non-registered fund orders with an affiliated broker-dealer. Portfolio orders will be placed with an affiliated broker-dealer generally only when the price charged and the services being provided compare favorably with those charged by non-affiliated broker-dealers.

### **Item 13 – Review of Accounts**

GSCM provides services to the Funds, non-registered funds and other client accounts and, as such, reviews each of the Funds, non-registered funds and client accounts on a regular basis, but at least annually. The Adviser's review includes a determination as to whether the Funds are being managed in accordance with the 1940 Act and whether the investment objectives, policies and guidelines of the registered and non-registered fund and/or the client and the other limitations and parameters specified in the Advisory Agreement between GSCM and the Trust and/or the Adviser and the client, respectively, with respect to each fund/client are being followed.

Reviews will typically be conducted by the following personnel:

- Senior Vice President and Chief Investment Officer – This position is responsible for the overall management of the investment program.
- Vice President and Investment Officer (Director of Portfolio Management) – This position is responsible for overseeing and directing the activities and services related to the investment management of the registered and non-registered funds.
- Vice President and Investment Officer (Global Investment Strategist) – This position is responsible for providing primary assistance to the Senior Vice President and Chief Investment Officer in strategic planning of global investment management matters, including the development of investment strategies, objectives and policies.

- Senior Vice President and Chief Operating Officer – This position is primarily responsible for the financial and operational aspects of the investment management program. This position is also responsible for assisting in the development of the investment strategies, objectives and policies for the registered and non-registered funds and other investment services provided by GSCM.
- Associate Portfolio Manager – This position is responsible for overseeing and directing the activities and services related to the investment management of alternative investment strategies.
- Investment Analyst(s) – This position(s) works directly with the Vice Presidents to provide analytical support to the investment process and to coordinate certain investment management related functions.
- Chief Compliance Officer – This position is responsible for the establishment and maintenance of an adequate and effective compliance program and overseeing the registered and non-registered funds' compliance process in accordance with securities and regulatory rules.

Daily and monthly reviews conducted by GSCM include such areas as monitoring trades, compliance and performance of each of the registered and non-registered funds as well as other client accounts. Quarterly, the Adviser reviews each of the registered and non-registered funds as well as client accounts in additional respects, including (if applicable) placement of brokerage, shareholder servicing payments and other matters.

At least quarterly, GSCM provides the Board of Trustees of the Trust written and verbal reports on various matters pertaining to the Funds. These will typically include information about investment performance, Fund structure, securities holdings, brokerage placement and commissions and any pertinent developments regarding the Funds' sub-advisers. Other matters may also be addressed at the Board's request.

On a regularly scheduled basis, GSCM provides the Trustee Investment Committee of the Board of Trustees of GuideStone Financial Resources written and verbal reports on various matters pertaining to GuideStone Financial Resources' investments. These will typically include information about investment performance, registered and non-registered fund structure, securities holdings and any pertinent information. Other matters may also be addressed at the committee's request.

GSCM provides clients on a quarterly basis, if not more frequently, a written report showing their securities holdings and investment performance. The Adviser is available for in-person meetings with clients and/or their respective boards and/or investment committees.

On at least an annual basis, the Adviser reviews client accounts and conducts key client reviews to ensure adherence to the investment objectives, policies and guidelines.

## **Item 14 – Client Referrals and Other Compensation**

GSCM does not have any arrangements, oral or in writing, whereby it is paid cash or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients. In addition, GSCM does not have any arrangements, oral or in writing, whereby it directly or indirectly compensates any person for client referrals.

## **Item 15 – Custody**

GSCM does not maintain custody of clients' accounts; rather, these accounts are held in custody by The Northern Trust Company through omnibus accounts. An exception to this would be if a client makes a direct investment in a fund or other investment vehicle for which GSCM is not the adviser. However, client account statements are issued quarterly by the Trust's transfer agent and/or GSCM, which show specific client portfolio holdings, and clients are informed that they should verify their GSCM portfolio review with the account statement provided by the transfer agent.

## **Item 16 – Investment Discretion**

As described under Item 4, GSCM does not make day-to-day security level investment decisions for any of the Select Funds and has only a limited investment role with regard to the Asset Allocation Funds and DTFs. However, the Adviser does have contractual authority under the applicable Advisory Agreement for each Fund and other clients, without obtaining specific client consent, to determine some or all of the matters set forth in Item 12.

The Adviser's contractual authority regarding such matters is limited by the following:

- the terms of the respective Advisory Agreements;
- any specific instructions adopted by the Board of Trustees of the Trust;
- the parameters and restrictions contained in each Fund's respective prospectus and Statement of Additional Information;
- lists of prohibited companies that may be developed for each Fund reflecting the Fund's investment restrictions; and
- applicable law.

For the non-registered funds and other clients' accounts, GSCM is limited to the contractual authority granted in each investment management agreement. Generally, the Adviser will manage each non-registered fund and other client's account pursuant to the Investment Manager Mandate, which outlines the investment objectives, policies and guidelines.

Investment objectives, policies and guidelines must be provided to GSCM in writing.

## **Item 17 – Voting Client Securities**

GSCM has adopted proxy voting policies and procedures in accordance with Rule 206(4)-6 under the Advisers Act. These policies and procedures are designed to ensure that the Adviser administers proxy voting matters in a manner consistent with the best financial interests of its clients and in accordance with its fiduciary duties under the Advisers Act and other applicable laws and regulations. In the typical course of business, GSCM has delegated the voting of proxies of individual securities to the respective sub-advisers and/or other investment management firms retained to oversee and direct the investment of a portion of a client portfolio. Each sub-adviser and/or other investment management firm have the fiduciary responsibility for voting the proxies in a manner that is in the best interest of the client.

In limited instances, transitional securities may be held in a custodial client account and may not be overseen by a sub-adviser or an investment management firm or by an unaffiliated transition manager appointed by GSCM. In those cases, it is the Adviser's policy to ensure that clients are aware of their right to vote proxies of securities they hold if they so choose. If the clients choose not to exercise voting authority, those clients will be deemed to have delegated authority to the Adviser to vote such proxies in a manner that is consistent with the client's best interest. Clients may obtain information about how their securities were voted or a copy of GSCM's proxy voting policies and procedures, free of charge, by written request addressed to the Adviser or by visiting the website at *www.GuideStoneCapital.org*.

## **Item 18 – Financial Information**

Registered investment advisers are required in this item to provide you with certain financial information or disclosures about their financial condition. GSCM has no information to disclose applicable to this item.