



**SCHOONER FUNDS**

## **Schooner Investment Group, LLC**

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This Brochure provides information about the qualifications and business practices of Schooner Investment Group. If you have any questions about the contents of this Brochure, please contact us at 484-580-8086 or [info@schoonerfunds.com](mailto:info@schoonerfunds.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Schooner Investment Group is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated 3.1.12 is a document prepared according to the SEC’s new requirements and rules

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, this Brochure may be requested by contacting Jeremy McCann the Chief Compliance Officer at 484-580-8086 or [jm@schoonerfunds.com](mailto:jm@schoonerfunds.com). Our Brochure is also available on our web site [www.schoonerfunds.com](http://www.schoonerfunds.com), also free of charge.

Additional information about Schooner Investment Group is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Schooner Investment Group who are registered, or are required to be registered, as investment adviser representatives of Schooner Investment Group.

## **Item 2 – Material Changes**

On November 4, 2011 Schooner Investment Group launched the Schooner Global Absolute Return Fund (SARIX). It is a multi-asset class fund providing both long and short exposure to domestic and international equities, fixed income, currencies and volatility. Schooner continues to build its alternative mutual fund business with SARIX joining firm’s flagship, hedged equity mutual fund, The Schooner Fund ( SCNAX). Portfolio managers Alec Petro and Dr. Brian Chen have joined the Schooner team as Portfolio Managers for the new fund.

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#### **Item 4 – Advisory Business**

Schooner Investment Group LLC (“Schooner”), a Pennsylvania LLC, was formed in January, 2008 and exists as a registered investment advisor under the Investment Advisor Act of 1940. It is principally owned and controlled by Gregory R. Levinson. Greg also serves as the President and CIO of Schooner, as well as the Portfolio Manager for the Schooner Fund.

Schooner provides investment management services to institutions and financial intermediaries seeking to preserve and build capital with a focus on sustainable, risk reducing investment strategies. The firm currently manages mutual funds, separately managed accounts, and private investment funds. Schooner manages and advises for; i.) the Schooner Fund & the Schooner Global Absolute Return Fund (the “Funds”), registered investment companies, ii.) a privately managed unregistered limited partnership (the “LP”), iii.) a separately managed account specializing in convertible arbitrage (the “SMA”), managed on behalf of a private hedge fund. Collectively these accounts are referred to as “the clients”.

Funds managed through a Registered Investment Company (specifically the Funds) are subject to the investment mandate presented in the Fund prospectus. Funds managed through the LP and SMA (including any future privately managed accounts) are subject to the will of the client and may have restrictions imposed on them by that client.

As of 2/29/2012 SCHOONER managed \$130,000,000 on behalf of its clients, the whole of which is managed on a discretionary basis.

#### **Item 5 – Fees and Compensation**

The specific manner in which fees are charged by Schooner is established in a client’s written agreement. Fees are charged differently to different client types.

The Funds charge a management fee, as outlined within the prospectus. The Schooner Fund total expense ratio is capped at 1.99% of which 1.25% is a management fee received by Schooner. The Schooner Global Absolute Return Fund total expense ratio is capped at 1.95% of which 1.65% is a management fee received by Schooner. These fees are accrued on a daily basis by U.S. Bancorp Fund Services (the “administrator”), with the management fee being paid to Schooner on a monthly basis in arrears.

The SMA receives a flat fee of 1.25% based on AUM, as outlined in the applicable SMA Trading Services Agreement. These fees are billed to the SMA on a monthly basis in advance. Schooner currently has waived the fee for the LP of which it is the general

partner. Should the fee cease to be waived Schooner would receive a fee as described within the private LP's Confidential Offering Memorandum.

Clients may terminate an investment advisory decision at any time based upon the procedures listed in their applicable Investment Advisory Agreement. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Fees are generally not negotiable, though they may vary from the otherwise applicable fee schedule due to particular circumstances of the client. Holdings in a client's account may include investment companies for which a separate management fee is charged. In the event that client assets are invested in an investment company advised by Schooner, those assets may be excluded from the separate account fee schedule.

Schooner Investment Group's fees are exclusive of trading fees such as brokerage commissions, transaction fees, and other related costs and expenses. Clients may incur certain charges imposed by custodians, brokers, and other third parties. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Schooner Investment Group's fee, and Schooner Investment Group shall not receive any portion of these commissions, fees, and costs.

Item 12 describes the factors that Schooner Investment Group considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

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

Schooner Investment Group 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**

Schooner Investment Group provides portfolio management services to registered mutual funds, and unregistered private investment funds.

Schooner provides sub-advisory and managed account services to institutions at the \$25 million minimum account level.

The Funds are available to retail investors at a \$5000 minimum initial investment, and a \$500 subsequent investment minimum.

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

Schooner Investment Group is an independent asset manager specializing in equity, equity-linked, derivative, and convertible securities. Historically the services of our investment team have been reserved exclusively for global banks, and large institutions. Schooner's focus is on sustainable, risk reducing investment strategies. The following paragraphs give an overview of the investment strategies used by Schooner for their respective clients.

Schooner currently manages the Schooner Fund (SCNAX) and the Schooner Global Absolute Return Fund (SARIX). The funds were specifically designed for the general investing public, executing investment strategies that focus on performance and superior risk management.

The Schooner Fund implements an actively managed single name covered call strategy against a diversified equity portfolio made up of U.S. companies with large market capitalizations ("large cap companies"). The Fund also selectively purchases convertible securities and protective index puts and spreads to help reduce risk. The Fund seeks to capture a substantial portion of the long term total return potential of equities, while aiming to limit portfolio volatility and downside risk. The Fund considers large cap companies to be those companies with market capitalizations of \$5 billion or more.

The Fund will write call options with strike prices and expiration dates designed to maximize the investment objective for each underlying equity security. The writing of call options is intended to reduce the volatility of the Fund's investment portfolio and to earn premium income. The Fund may also occasionally purchase both index call and put options. The Fund attempts to keep a consistent balance between risk and reward over the course of different market cycles and volatility regimes through various combinations of stocks, convertible securities, and writing (selling) single issuer equity call options to achieve what the Advisor believes to be an appropriate blend for the current market. As the market environment changes, the Fund's portfolio securities may change in an attempt to achieve a relatively consistent risk level over time.

The Advisor uses an intensive qualitative and quantitative research process to identify companies that, in the view of Advisor, have the potential to generate a consistent and sustainable high return on capital and have strong growth prospects. This process is sensitive to changes in a company's fundamentals (earnings, earnings valuation, earnings quality, investor sentiment, management signaling and stock prices) as well as underlying technical factors (relative strength index, implied volatility and volume trends). Additionally, the Advisor will generally consider only securities that it believes to be liquid, aiming to ensure that liquidity risks remain at a relatively low level.

The Fund's investment strategy suggests the sale of a security if: the aggregate weight of the security is in excess of 5% of the Fund's assets; the security is deemed to be overvalued by the Advisor, using the investment process described above; the security has deteriorating fundamentals; or a more attractive investment opportunity exists.

Before investing in the Fund, you should carefully consider your own investment goals, the amount of time you are willing to leave your money invested, and the amount of risk you are willing to take. Remember that in addition to possibly not achieving your investment goals, you could lose money by investing in the Fund. Some of the principal risks of investing in the Fund are listed below. All risks can be viewed in the Fund prospectus.

- **Management Risk.** The risk that strategies employed by the Advisor in selecting investments for the Fund may not result in an increase in the value of your investment or in overall performance equal to other investments.
- **General Market Risk.** The risk that the value of the Fund's shares will fluctuate based on the performance of the Fund's investments and other factors affecting the securities markets generally. The U.S. and international markets have experienced extreme price volatility, reduced liquidity and valuation difficulties in recent years, particularly in securities related to finance and real estate. Continuing market problems may have adverse effects on the Fund.
- **Equity Market Risk.** Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. Preferred stocks are subject to the risk that the dividend on the stock may be changed or omitted by the issuer, and that participation in the growth of an issuer may be limited.
- **Large-Cap Company Risk.** The risk that larger, more established companies may be unable to respond quickly to new competitive challenges, such as changes in consumer tastes or innovative smaller competitors. Also, large-cap companies are sometimes unable to attain the high growth rates of successful smaller companies, especially during extended periods of economic expansion.
- **Convertible Securities Risk.** The market value of a convertible security performs like that of a regular debt security, that is, if market interest rates rise, the value of the convertible security falls.
- **Options and Futures Risk.** Options and futures may be more volatile than investments directly in the underlying securities, involve additional costs and may involve a small initial investment relative to the risk assumed. In addition, the value of an option or future may not correlate perfectly to the underlying securities index or overall securities markets.
- **Tax Risk.** Call option premiums received by the Fund will be recognized upon exercise, lapse or other disposition of the option and generally will be treated by the Fund as short term capital gain or loss. The Fund's transactions in options are subject to special tax rules, the effect of which may have adverse tax consequences for the Fund, and which may result in adverse tax consequences for the Fund's

shareholders. An investor in the Fund should consult their tax adviser to determine the suitability of the Fund as an investment and the tax treatment of Fund distributions.

- **Debt Securities Risk.** Interest rates may go up resulting in a decrease in the value of the debt securities held by the Fund. Investments in debt securities include credit risk, which is the risk that an issuer will not make timely payments of principal and interest. There is also the risk that a bond issuer may “call,” or repay, its high yielding bonds before their maturity dates. Debt securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. Rising interest rates could cause prepayments of the obligation to decrease, extending the life of debt securities with lower payment rates. This is known as extension risk. Limited trading opportunities for certain debt securities may make it more difficult to sell or buy a security at a favorable price or time.
- **High Portfolio Turnover Rate Risk.** The risk that a high portfolio turnover rate (100% or more) may result in increased brokerage transaction costs and the realization by the Fund, and hence the distribution to shareholders, of a greater amount of short-term capital gains taxed at ordinary income rates than if the Fund had a lower portfolio turnover rate. A high turnover rate may mean that you would have a higher tax liability.

The Schooner Global Absolute Return Fund is a multi-asset class fund providing investors with both long and short exposure to domestic and international equities, fixed income, currencies, and volatility. The Fund is managed with the goals of (1) providing exposure in a mutual fund structure to many of the same sources of return commonly exploited by hedge funds, (2) producing returns that have a low correlation to traditional asset classes, and (3) producing returns that are much less volatile than those of equities. Multi-strategy in nature, assets in the Fund are dynamically allocated across multiple sub-strategies and risk is spread across multiple dimensions — asset class, geography, and strategy — accounting for differences in volatility, correlation, and expected return. The Advisor will allocate the Fund’s investments to provide the Fund with exposure to global equity, bond, currency and commodities markets in proportions consistent with the Advisor’s evaluation of their expected risks and returns. The Fund uses derivatives rather than investing directly in these asset classes as a low-cost, effective means to gain exposure to these asset classes. The Fund may also invest in exchange traded funds (“ETFs”) and exchange traded notes (“ETNs”) to provide exposure to these markets and asset classes. In addition, the Fund invests in fixed income securities including securities of varying maturities and durations, and securities of any investment grade, including those rated below investment grade by a nationally recognized statistical ratings organization (“NRSRO”), commonly referred to as “junk bonds” or “high yield bonds.” Under normal market conditions, the Fund will invest in, or have exposure to, securities of issuers from at least three different countries (including the United States), with at least 40% of the Fund’s net assets invested



in foreign securities or derivative instruments with exposure to foreign securities, including emerging markets securities. The Fund does not have a maximum or minimum allocation or target exposure to any one type of derivative instrument or asset class, except that at least 40% of the Fund's net assets will be invested in foreign securities or derivative instruments with exposure to foreign securities, including emerging markets securities.

To construct the Fund's investment portfolio, the Advisor applies proprietary models that use value, momentum and analysis of other economic components to estimate an investment's expected return:

- Value signals indicate when a security, group of securities or asset class may be trading for less than their intrinsic values based on fundamental measures.
- Momentum signals indicate the short-term trading behavior of individual securities within an asset classes, or the asset classes themselves.
- "Strategic" economic components provide a long-term expected return estimate that is separate from and combined with the expected return estimates generated from value and momentum signals. An example of a strategic component is a long-term, historical average return of an investment strategy, asset class or a macroeconomic estimate of a strategy's long-term expected return.

The Advisor's proprietary models also estimate the potential risk of each investment opportunity based on the volatility of the individual investment and in correlation to the Fund's other investments. When selecting investments for the Fund's portfolio, the Advisor's models consider both expected returns and risk-contributions. Other factors, such as liquidity and transaction costs, may also affect the Advisor's decision to purchase a security for the Fund. The Fund will sell an investment during portfolio rebalancing periods when the Fund's holdings in that investment are larger than the allocation suggested by the Advisor's investment models or when a more attractive investment becomes available. The Fund is non-diversified under federal securities laws, which means that it may invest a high percentage of its assets in a limited number of securities. The Adviser may engage in active trading of the Fund's portfolio investments to achieve the Fund's investment objective.

**Principal Risks.** Before investing in the Fund, you should carefully consider your own investment goals, the amount of time you are willing to leave your money invested, and the amount of risk you are willing to take. Remember that in addition to possibly not achieving your investment goals, you could lose money by investing in the Fund. Some of the principal risks of investing in the Fund are listed below. All risks can be viewed in the Fund prospectus.

- **Management Risk.** The risk that strategies and sub-strategies employed by the Advisor in selecting investments and asset allocations for the Fund may not result in an increase in the value of your investment or in overall performance equal to other investments.

- General Market Risk. The risk that the value of the Fund's shares will fluctuate based on the performance of the Fund's investments and other factors affecting the securities markets generally.
- Derivatives Risk. Derivatives, including futures, swaps and forward foreign currency contracts, may be more volatile than investments directly in the underlying securities, involve additional costs and may involve a small initial investment relative to the risk assumed. In addition, the value of a derivative may not correlate perfectly to the underlying securities index or overall securities markets. Specific types of derivative securities are also subject to a number of additional risks, such as:
  - Futures Risk. Futures contracts may be more volatile than investments directly in the underlying securities, involve additional costs and may involve a small initial investment relative to the risk assumed.
  - Swap Agreement Risk. A swap contract may not be assigned without the consent of the counterparty, and may result in losses in the event of a default or bankruptcy of the counterparty.
  - Liquidity Risk. The risk that the Fund may not be able to sell or close out a derivative instrument.
  - Interest Rate Risk. The risk that underlying investments may lose value due to interest rate changes.
  - Credit Risk. The risk that underlying investments may lose value due to borrowers defaulting or failing to pay back debt.
  - Commodities Markets Risk. Exposure to commodity markets through investments in commodities futures contracts may subject the Fund to greater volatility than investments in traditional securities. This is because the value of companies in commodity-related businesses may be affected by overall market movements and other factors affecting the value of a particular industry or commodity, such as weather, disease, embargoes, or political and regulatory developments.
  - Short Sales Risk. The risk on a short sale is the risk of loss if the value of a security sold short increases prior to the delivery date, since the Fund must pay more for the security than it received from the purchaser in the short sale. Therefore, the risk of loss may be unlimited.
  - Foreign and Emerging Market Securities Risk. Foreign investments may carry risks associated with investing outside the United States, such as currency fluctuation, economic or financial instability, lack of timely or reliable financial information or unfavorable political or legal developments. Those risks are increased for investments in emerging markets.
  - Currency and Forward Currency Contracts Risks. Changes in foreign currency exchange rates will affect the value of what the Fund owns and the Fund's share price. Generally, when the U.S. dollar rises in value against a foreign currency, an investment in that foreign currency loses value because it is worth fewer U.S. dollars. Devaluation of a currency by a country's government or banking authority also will have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities

markets. Investments in forward currency contracts could minimize the risk of loss due to a decline in the value of the hedged currency, but may also limit any potential gain from an increase in the value of the currency.

- **Debt Securities Risk.** The Fund will be exposed to debt securities risk through its investment in derivative instruments and direct investments in debt securities. Interest rates may go up resulting in a decrease in the value of debt securities. Investments in debt securities include credit risk, which is the risk that an issuer will not make timely payments of principal and interest. There is also the risk that a bond issuer may “call,” or repay, its high yielding bonds before their maturity dates. Debt securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. Rising interest rates could cause prepayments of the obligation to decrease, extending the life of debt securities with lower payment rates. This is known as extension risk. Limited trading opportunities for certain debt securities may make it more difficult to sell or buy a security at a favorable price or time.
- **Risk of Non-Diversification.** The Fund is non-diversified under federal securities laws, which means that it may invest a high percentage of its assets in a limited number of securities. Since the Fund is non-diversified, its net asset value (“NAV”) and total returns may fluctuate or fall more in times of weaker markets than a diversified mutual fund.
- **Leverage Risk.** Investments in derivative instruments and selling securities short involve the use of leverage. Leverage can increase the investment returns of the Fund. However, if the securities decrease in value, the Fund will suffer a greater loss than would have resulted without the use of leverage. The Fund will maintain long positions in securities available for collateral, consisting of cash, cash equivalents and other liquid securities, to comply with applicable legal requirements.
- **Tax Risk.** There is the risk that the Fund’s investment strategies, specifically its investments in derivative instruments, may subject the Fund to special tax rules, the effect of which may be to accelerate income to the Fund, defer losses to the Fund, cause adjustments in the holding periods of the Fund’s securities, convert long-term capital gains into short-term capital gains or convert short-term capital losses into long-term capital losses.
- **New Fund Risk.** The Fund is new with no operating history and there can be no assurance that the Fund will grow to or maintain an economically viable size, in which case the Board of Trustees may determine to liquidate the Fund.

Investing in securities involves risk of loss that clients should be prepared to bear. Specific risks relating to the Fund are outlined in the fund’s current prospectus available at [www.schoonermutualfunds.com](http://www.schoonermutualfunds.com).

Schooner employs a convertible arbitrage strategy for the SMA. Convertible Arbitrage is an investing strategy that involves a long position on a convertible security and a short position in its converting common stock. This strategy attempts to exploit profits in the

different factors of the convertible security. In addition to many of the risks listed above other risks include execution risk, counterparty risk, liquidity risk, and left tail risk.

### **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 a client's evaluation of Schooner Investment Group or the integrity of Schooner management. Schooner has no information applicable to this Item.

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

The separately managed account Schooner advises is managed on behalf of an unregistered offshore hedge fund. Bay Hill Capital Management LLC, the investment advisor for said hedge fund, has authorized Schooner to make (and execute) investment decisions on behalf of the hedge fund for its convertible arbitrage strategy. A material relationship exists between Schooner and Bay Hill as Mr. Petro, an access person and portfolio manager at Schooner, is also in a management position at Bay Hill.

The portfolio managers for the Schooner Global Absolute Return Fund, Mr. Petro and Dr. Chen, will be responsible for managing the Fund as well as other client accounts at the separate investment management firms where they are employed, currently Bay Hill Capital Management and North Peak Asset Management. There are inherent conflicts of interest associated with these positions, including the apportionment of investment opportunities amongst client accounts and the allocation of time and attention between their employer firms. Mr. Petro and Dr. Chen are subject to the compliance policies and procedures adopted by their respective firms, including Schooner, which address potential conflicts of interest. They are also bound by their fiduciary obligations to treat all client accounts fairly and equitably. Schooner's Chief Compliance Officer is responsible for oversight of the firm's compliance program, including monitoring potential conflicts of interest such as the ones described above.

Schooner is the sole general partner of Brandeis Investment Partners, LP. Schooner and Brandeis have entered into an investment advisory agreement that delegates certain contractual investment advisory responsibilities to Schooner, much like any other Schooner client. Greg Levinson is a limited partner in Brandeis. The structure exists for additional investors to invest in Brandeis but they are not actively solicited. Brandeis is used primarily as a strategy incubation vehicle for Schooner. Brandeis may use investment strategies that are similar to those of other Schooner clients. Accordingly, Schooner expects that conflicts of interest in allocating investment opportunities may occasionally arise, and has adopted trade aggregation procedures to ensure that in allocating investments the distribution of investment opportunities is made in a manner that is fair and equitable to all clients, including the Funds. We do not believe these services create material conflicts of interest between the Firm and its other clients. Again, we follow strict

written policies and procedures to ensure that all clients are treated fairly, regardless of the investment strategy and fee schedule associated with the account, although there is no assurance that such policies and procedures will adequately address such conflicts.

### **Item 11 – Code of Ethics**

Schooner Investment Group has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Schooner must acknowledge the terms of the Code of Ethics annually, or as amended. Schooner Investment Group's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Schooner at 484-580-8086 or [info@schoonerfunds.com](mailto:info@schoonerfunds.com).

Schooner employees that qualify as access persons (generally meaning they are officers of the company or have access to portfolio trading) are subject to the certain rules and regulations when buying securities owned by either of the Funds for their personal accounts. Clearance must be obtained by the Firms Chief Compliance Officer before proceeding. A full disclosure of this regulation is available in the Code of Ethics. The personal trading regulations and the code of ethics in general are based on the principle that Schooner has a fiduciary obligation to its clients. In this capacity, the Firm and its personnel are required to place the interests of its clients before their own interests. Schooner seeks to avoid conflicts of interest with its clients and will take any and all appropriate steps consistent with its Code of Ethics to resolve any conflicts of interest that may arise.

Schooner client accounts may trade in the same securities with other client accounts on an aggregated basis when consistent with Schooner's obligation of best execution. In such circumstances, the client accounts will share commission costs equally and receive securities at a total average price. Schooner Investment Group will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be documented.

It is Schooner's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Schooner will also not cross trades between client

accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. Schooner is neither of these. In plain language, Schooner will not trade between client accounts.

### **Item 12 – Brokerage Practices**

Where Schooner has discretionary brokerage authority, Schooner is authorized to determine, without specific client consent, the broker or dealer for securities transactions in the clients account. Schooner's objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to its accounts portfolio transactions. The best net price, giving effect to brokerage commissions, spreads and other costs, is morally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant. The factors include but are not limited to: Schooner's knowledge of negotiated commission rates and spreads currently available; nature of the security being traded; size and type of transactions; nature and character of the markets for the security to be purchase or sold; desired timing of the trade; activity existing and expected in the market for the particular security; confidentiality; execution, clearance and settlement capabilities as well as the reputation and perceived soundness of the broker dealer and others which are considered; Schooner's knowledge of actual or apparent operation problems of any broker dealer; the broker dealer's execution services rendered on a continuing basis and in other transactions; and the reasonableness of spread or commissions. Schooner may also consider the quality of research provided by executing brokers or dealer and its usefulness in the management of client accounts, though this generally plays a less significant role than any other factor.

It is not the practice of Schooner to negotiate commission rates with broker dealers. Schooner will use its best efforts however, to obtain the best brokerage commission rate possible under the circumstances.

Schooner may receive proprietary research prepared by a broker dealer and other products and services as a result of executing securities transactions through that broker-dealer. In addition, a broker-dealer may also pay for research, products, and services provided by third parties that Schooner receives as a result of its relationship with the broker-dealer. Schooner has such agreements in place with Jefferies & Company Inc., and

Barclays Bank PLC. A portion of commissions generated by trades executed on the electronic trading systems of these brokers may be “soft dollars”. The highest commissions payable at any time including soft dollars on these platforms are \$0.013 (1.3 cents) per share for stocks and \$0.50 (50 cents) per option contract. When client brokerage commissions are used to obtain research or other products or services, Schooner receives a benefit because it does not have to produce or pay for the research, products or services. All services fall within the 28(e) Safe Harbor list of acceptable soft dollar expenses. All services and research purchased with soft dollars aid in investment decision-making, or trade execution. Soft dollar benefits are generally limited to those clients who may have generated a particular benefit, and soft dollar allocations are generally connected to particular clients or groups of clients. The Funds are the only clients that currently uses soft dollars, therefore all qualifying soft dollar payments are allocated based exclusively on the proportion that the Funds are deemed to have used of that particular expense ( in other words, the Funds do not subsidize other Schooner client accounts with soft dollar payments).

### **Item 13 – Review of Accounts**

The portfolio managers of the respective funds are responsible for reviewing client accounts. In addition, Schooner’s CIO (Greg Levinson) and Managing Director of Trading (Tony Fusco) also review client accounts. Portfolios are monitored continuously, and formally reviewed weekly at a minimum, and more frequently based upon changes in the buy, sell and hold lists, and other factors (volatility regimes, etc).

Depending on the client, unaudited performance reports are furnished to clients upon request. Regarding the Funds, Schooner meets all the appropriate reporting requirements of a registered 40Act mutual fund. U.S. Bancorp Fund Services serves as the third party administrator and transfer agent for the Funds and provides clients with quarterly statements, and semiannual & annual reports which include, among other items, an appraisal and summary of the client’s portfolio and a review of the portfolio’s performance. Cohen Fund Audit Services is the independent public accounting firm that conducts an annual audit of the books and records of the Funds.

In addition to the account statements and regulatory filings provided by U.S. Bancorp Fund Services the portfolio managers provide a monthly market/fund commentary and post it on the applicable section of the website ([www.schoonermutualfunds.com](http://www.schoonermutualfunds.com)). This commentary includes market conditions, investment strategies, portfolio holdings, etc. Quarterly marketing reports are also posted on the website.

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

Schooner receives no economic benefit from a non-client for providing investment advice or other advisory services to current clients.

Schooner does not directly or indirectly compensate any person who is not a supervised person (wholesaler) for client referrals. Schooner does have written compensation arrangements with multiple unaffiliated parties (3<sup>rd</sup> party marketers) for the referral of prospective clients. No additional costs or expenses result to clients due to these arrangements.

### **Item 15 – Custody**

Schooner does not have custody of Clients funds or securities. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets.

### **Item 16 – Investment Discretion**

Schooner usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Schooner observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies (The Funds), Schooner's authority to trade securities is also limited by certain federal securities and tax laws that require diversification of investments. These restrictions are outlined in the Fund prospectus and is available at [www.schoonermutualfunds.com](http://www.schoonermutualfunds.com)

Investment guidelines and restrictions must be provided to Schooner in writing by its clients.

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

Schooner accepts authority to vote client securities. The Securities and Exchange Commission (the "SEC") has adopted Rule 206(4)-6 under the Investment Advisers Act. Under this rule, registered investment advisers that exercise voting authority over securities held in client portfolios are required to implement proxy voting policies and describe those policies to their clients. Schooner has formed a Proxy Committee which is responsible for making all proxy voting decisions in accordance with these proxy voting policy and procedures. The CIO is responsible for the actual voting of all proxies in a timely manner, while the COO is responsible for monitoring the effectiveness of the Policies. The Policies attempt to generalize a complex subject. Schooner may, from time to time, determine that it is in the best interests of its clients to depart from specific policies. The rationale for any such departure will generally be put in writing by the Compliance Officer.



In order to facilitate the filing of the Fund's Proxy Voting Record on Form N-PX, the Firm utilizes a spreadsheet to maintain record of all proxy votes.

Clients may obtain a copy of Schooner's complete proxy voting policies and procedures upon request. Clients may also obtain information from Schooner about how Schooner voted any proxies on behalf of their account(s).

### **Item 18 – Financial Information**

Schooner Investment Group has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. Schooner does not require or solicit prepayment of any fees in a registered client account. Unregistered client accounts may be subject to prepayment of fees on either a quarterly or monthly basis. A more in-depth description of fees can be found in Item 5 and 6.

**Thank You.**

*The Schooner Team*

Please contact Schooner Investment Group at 484-580-8086 or [info@schoonerfunds.com](mailto:info@schoonerfunds.com) with any questions.