



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. 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.

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. Our Brochure is also available on our web site 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. 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 February 11, 2013 Schooner Investment Group filed paperwork with the SEC announcing the closing of the Schooner Global Absolute Return Fund (SARIX). March 13, 2013 will be the closing date of SARIX. Schooner will continue to build its flagship, hedged equity mutual fund, The Schooner Fund (SCNAX, SCNIX).

The convertible arbitrage separately managed account was closed June, 2012.

Schooner named Anthony Fusco as Assistant Portfolio Manager to the Schooner Fund. In addition to his PM role Anthony will continue in his role as Head of Trading for Schooner Investment Group.

The Schooner Fund launched an institutional share class (SCNIX) on June 22, 2012.

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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 manages mutual funds, separately managed accounts, and private investment funds. Schooner manages and advises for; i.) the Schooner Fund (the “Fund”) a registered investment company, ii.) a privately managed unregistered limited partnership (the “LP”). Collectively these accounts are referred to as “the clients”.

Funds managed through a Registered Investment Company (specifically the Fund) are subject to the investment mandate presented in the Fund prospectus. Funds managed through the LP 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 \$174,000,000 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% for the A shares, and 1.74% for the I shares of which 1.25% is a management fee received by Schooner (actual expense ratios may be lower). 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. Please see the Fund prospectus available at www.schoonermutualfunds.com to see the forward looking total expense ratio, and the Annual Report to see the backward looking actual expense ratio.

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. The LP is used as an incubator account for

potential new strategies being contemplated by Schooner. No limited partners or outside money is solicited.

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 Mutual 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, SCNIX). The Fund was 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 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, index puts/calls, 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.

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

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.

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 the practice of Schooner to negotiate commission rates with broker dealers. Schooner will use its best efforts 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”. As of December, 2012 Schooner stopped all “soft-dollar” commissions. The Firm does not plan on having any “soft dollar” commissions in 2013.

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 Fund is the only client that currently uses soft dollars, therefore all qualifying soft dollar payments are allocated based exclusively on the proportion that the Fund is deemed to have used of that particular expense (in other words, the Fund 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 – Schooner Fund PM) and Managing Director of Trading (Tony Fusco – Schooner Fund Asst. PM) 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 Fund, 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 Fund 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 Fund.

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). 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 an unaffiliated party (3rd party marketer) 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 Fund), 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

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,
Schooner Team**

Please contact Schooner Investment Group at 484-580-8086 or info@schoonerfunds.com with any questions.