

Morgan Dempsey Dividend Income - Institutional

Quarterly Commentary Dividend Income

*Neither a borrower, nor a lender be;
For loan oft loses both itself and friend,
And borrowing dulls the edge of husbandry.*
— William Shakespeare: Hamlet, Act I scene iii

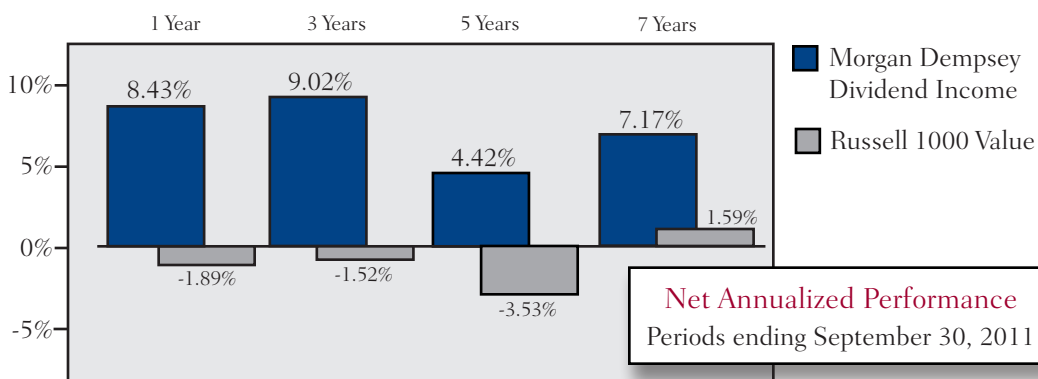
Risk reentered the investment lexicon during the third quarter of 2011. The S&P 500, a proxy for the US equity market, produced a total return of -13.9%. This was its worst quarterly return since the last three months of 2008. Investors appeared to be reducing portfolio risk as expectations for a significant expansion during the second half of the year were replaced by the fear of the potential for an economic recession.

Investors switched from risk embracement during the last weeks of June to risk aversion in the span of a couple of months. This appeared to be driven by concerns that the nascent economic recovery could be derailed by forces that were out of the control of even the best corporate managements. These included the ongoing European sovereign debt crisis, S&P's downgrade of US Treasury debt and slowing growth in China.

We believe that the European sovereign debt crisis is the most problematic of these issues. Despite its moniker, it is less a debt crisis than a banking crisis. Since European banks own a significant amount of European sovereign debt, any default would have negative ramifications for the banking system. We suspect that investor realization that the solution to Europe's sovereign debt crisis would be neither easy nor painless was a major contributor to both the volatility and the negative returns of the equity markets. This was evident by the generally poor performance of the stocks of banks and other financial institutions both in Europe and the US.

The Dividend Income strategy was well positioned to weather the financial storms during the third quarter. The strategy's focus on purchasing good quality, higher yielding stocks resulted in a portfolio concentrated in some of the more defensive sectors of the market including Utilities, Consumer Staples and Health Care. This was a boon for performance. It also left us void of banks and other financial stocks, an area that was particularly hard hit by the negative news emanating from Europe.

Continued



Disclosures: See performance disclosure page for full compliance statement.



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Strategy Highlights

- A high level of current income
- Potential for an increasing income stream
- Competitive equity market return potential
- Long-term investment perspective

Account Information

Management Fee: 1.00%
Minimum Investment: \$250,000
No lockup period or redemption restrictions

Manager Information

Marc Dion, CFA
Principal/Portfolio Manager

Mr. Dion joined Morgan Dempsey in 2004 returning to Milwaukee via Omaha, NE and Great Falls, MT. He is a seasoned investment professional with over 20 years of experience in the financial services industry.

Portfolio Information

Supplemental Information

Top 10 equity holdings as of 9/30/11

3.17% - Bristol-Myers Squibb	BMY
3.15% - Reynolds American Inc.	RAI
3.11% - Altria Group, Inc.	MO
3.02% - Kimberly Clark Corp	KMB
2.85% - Kinder Morgan Energy Partners	KMP
2.78% - Duke Energy	DUK
2.76% - Lorillard, Inc.	LO
2.72% - Ventas, Inc.	VTR
2.67% - Buckeye Partners L.P.	BPL
2.59% - Heinz HJ Co.	HNZ

Total Number of Holdings: 37

1 year turnover: 14.9%

Median Market-Cap: \$16.2 Billion

Weighted Market-Cap: \$33.4 Billion

Expected 12 month equity-only yield: 5.1%

Contact Information

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The strategy's investment philosophy often has resulted in concentration in a limited number of sectors over the years. Generally speaking, Utility, Consumer Staples and, until 2008, Bank stocks provided fertile territory in the search for dividend yield. These, together with more esoteric investments such as Real Estate Investment Trusts and Master Limited Partnerships, provided the core of the Dividend Income portfolio. However this appears to be changing as company managements in different sectors and industries have begun to recognize that investors have a renewed focus on dividends in an era of slow or no growth.

This change in management philosophy was quite noticeable in established technology companies. While many technology stocks have paid a nominal dividend in the past, high dividend yields generally were limited to smaller chip and component makers. However by the end of the third quarter both Microsoft and Intel, two of the old technology stalwarts, had expected dividend yields in excess of 3%. These companies seemed to realize that dividends have become an acceptable way to return capital to investors, even those who have a growth bias.

The higher dividend yields of stocks in the large cap technology space could portend a trend that would be beneficial for the Dividend Income strategy. If more historically growth-oriented companies follow the lead of these technology firms and are willing to return capital to investors using above market dividends, the size and diversity of the investable universe for the Dividend Income strategy would notably expand. The ability to produce a more diversified investment portfolio could prove to be advantageous for our clients. This is a potential trend that will continue to garner our close attention.

Portfolio Review

Individual stock selection generally is the overriding determinant of investment performance. However there are periods of time when broader economic issues can dominate the investment environment. Sector selection can become an essential component of performance as investors steer their resources towards segments of the market that are expected to benefit from the current economic environment and away from those that will not. The third quarter appeared to be one of those times, particularly in the Dividend Income strategy.

The strategy's focus on dividend yield resulted in a portfolio that was concentrated in a number of defensive areas of the market including Utilities and Consumer Staples. Nine out of the eleven stocks that we held in these two sectors produced a positive total return during the third quarter. This was a significant factor in the strong relative performance that the Dividend Income strategy generated during the period.

While the strength of specific market sectors was a significant component of the strategy's return, stock selection still played an important role in driving performance. Some of the better performing stocks included Bristol-Myers Squibb, the global pharmaceutical company, and Oneok Partners, an MLP that focuses on the gathering, processing, storage and transportation of natural gas. Neither of these companies was in the quarter's top performing sector, yet both were two of the strongest stocks in the portfolio.

The investment philosophy of the Dividend Income strategy is to identify stocks with high dividend yields, a history of growing dividends and the ability to generate the cash flow to support them. We expect this investment approach to continue to pay dividends for our investors, particularly during periods of economic uncertainty and stock market volatility.

DIVIDEND INCOME INSTITUTIONAL COMPOSITE - ANNUAL DISCLOSURE PRESENTATION

Year End	Total Firm Assets (millions)	Composite Assets (USD) (millions)	Number of Accounts	% of Non-Fee-Paying	Annual Performance Results Composite		Russell 1000 Value Index	Composite Dispersion
					Gross	Net		
2010	213	9	12	14%	21.30%	20.15%	15.51%	1.37%
2009	173	6	10	3%	23.45%	22.30%	19.69%	1.77%
2008	141	5	9	4%	-22.01%	-22.77%	-36.85%	1.03%
2007	188	7	10	3%	-.04%	-1.00%	-.17%	.69%
2006	190	6	8	3%	25.89%	24.71%	22.25%	2.03%
2005	69	4	9	4%	3.51%	2.54%	7.05%	.32%
2004	73	7	11	3%	27.04%	25.86%	16.49%	1.68%
2003	137	6	10	2%	43.99%	42.62%	30.03%	N.A.

N.A. -Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

Morgan Dempsey Capital Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Morgan Dempsey has been independently verified for the periods June 30, 2000 through June 30, 2011.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Dividend Income Institutional composite has been examined for the periods September 30, 2002 through June 30, 2011. The verification and performance examination reports are available upon request.

Dividend Income Institutional Composite was created June 30, 2010 and contains fully discretionary Large and Mid Capitalization, US domiciled, long only equity, commission based accounts, and for comparison purposes is measured against the Russell 1000 Value Index. The minimum account size for this composite is \$100,000. Prior to January 1, 2010 the minimum account size was \$50,000. The firm maintains a complete list and description of composites, which is available upon request.

Morgan Dempsey Capital Management, LLC is an independent investment management and advisory firm registered under the Investment Advisers Act of 1940. MDCM was established in 1994. The number of portfolios in the composite is as of yearend.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Beginning January 1, 2010, composite policy requires the creation of a temporary portfolio for a client initiated significant cash flow of at least 10% of portfolio assets. The creation of such a temporary account occurs on the date in which the significant cash flow occurs and the temporary account is combined with the corresponding composite account at the month end after the cash flow is fully invested. The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using MDCM's maximum Dividend Income annual management fee of 1.0%, equally applied on a monthly basis. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The investment management fee schedule for the Dividend Income composite is 1.0%. Actual investment advisory fees incurred by clients may vary. Past performance does not guarantee future results. A client's investment return may be lower or higher than the performance shown above. Clients may suffer an investment loss.

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There can be no assurance that MDCM's future recommendations and account performance results will be favorable, or that losses will not occur in any client's account. The information contained herein is not a guarantee, or warranty by Morgan Dempsey Capital Management, LLC, nor its employees for any loss you may incur as result of the given information.

Unless otherwise noted, performance results discussed in company communications and advertisements are net of fees and taken from our performance composite for the time period specified. Further detailed disclosure information is contained in our Form ADV Part IIA which is available upon request.

Factors such as the size and performance of specific securities positions in accounts, the length of time certain positions are held, the timing of purchases and sales during the reporting period, client objectives, cyclical securities price trends, favorable and unfavorable news pertaining to securities, market trends and other factors all influence performance results materially. For these reasons, actual client account performance for any style would only match MDCM's total performance by coincidence. Upon request MDCM will provide a complete list of all recommendations made within the past year.

The data used for this report was obtained from sources deemed reliable and then organized by the staff at MDCM. Performance calculations were prepared using standard industry software and were not audited by any third party. Some information provided on MDCM's website or in company communications reflects opinions, and as such are not facts. These opinions are subject to change with changes in economic conditions and new information. Therefore, this information should not be used as a basis for an investment decision.

Any question regarding this information should be brought to the attention of Morgan Dempsey Capital Management, LLC.



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