

Small/Micro-Cap Value Equity Management

Presentation



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Morgan Dempsey Small/Micro-Cap Value

Team:	Brian G. Rafn, Principal, Director of Research Terence V. Pavlic, CFA
Strategy:	Institutional Small/Micro-Cap Value
Benchmark:	Russell 2000 Value
Methodology:	Fundamental, bottom-up analysis
Inception:	10/01/2002
Minimum Investment:	\$1,000,000
Fee:	1.10%

Strategy Overview:

We use bottom-up, fundamental analysis to find companies selling at a discount to their intrinsic value. We take a unique and unconventional approach to both security selection (page 3) and portfolio construction (page 4). This process has been refined over 19+ years by Brian G. Rafn who serves as Lead Portfolio Manager and Research Analyst.

Morgan Dempsey Small/Micro-Cap Value Why Now?

The Qualities We Focus on Are More Important Now Than Ever

We pursue durable, profitable businesses where management's long-term interests are aligned with our own. We believe a cash liquid balance sheet with limited leverage and strong free cash flow are the most important factors in determining if a company can execute its plan going forward or thrive while competitors struggle. We avoid organizations which employ creative accounting, leveraged returns or meaningless growth through acquisitions.

We are Proven Performers in Both Up and Down Markets

Morgan Dempsey has previously been ranked the top small-cap "Bull & Bear Master" by Informa Investment Solutions (PSN) for our ability to outperform in a variety of market conditions. We have produced double-digit positive returns in 7 of the last 8 years and the one year with negative performance (2008), we were the top ranked small-cap value manager in the country according to Evestment Alliance with a net decline of just -13.62% compared to a -28.92% return for the Russell 2000 Value Index.

Smaller Stocks Have Typically Led the Way Coming Out of Recessions

In the two years following the last 10 recessionary periods (post WWII), the annualized returns of micro-caps have outperformed large-caps an astonishing 90% of the time. Moreover, the average annualized return for micro-caps over these periods was 26.35%.

What Makes Our Approach Unique - Security Selection

Fortress Balance Sheets

- It all starts with the balance sheet - the vast majority of companies do not meet our strict criteria
- Ample free cash flow, little leverage, minimal goodwill, conservative GAAP accounting, understandable and well run
- Allows company to thrive in good times, survive in bad times

Founder/Owner Operators

- Majority of portfolio invested with Founder/Owner Operators
- If you want to be treated like an owner, invest with owners
- Interests and risk tolerance are aligned. Long term operating histories provide additional predictability

Avoiding Trouble - Strong Risk Controls

- Focus on conservative GAAP accounting. Great companies aren't built through creative accounting
- Easy to understand companies - Avoid turnarounds, serial roll-ups, litigation, debt, other problems
- Avoiding problems in the first place minimizes resources needed to manage portfolio effectively

Intense Forensic Accounting & Long Term Familiarity

- Intense, fundamental, bottom-up research - Brian has focused on small/micro for 17 years
- Core holdings have been followed for many years. Model performance going back decades
- We target companies with dynamic intrinsic values allowing our holdings to grow & build value over time
- We are long term holders. Five year annualized turnover typically < 30%
- Globalized markets have created a vacuum of coverage in the small/micro-cap space
- Close communication with management provides unique access

What Makes Our Approach Unique - Portfolio Construction

Concentrated in Highest Conviction Ideas

- Top 10 holdings typically average ~ 40% of portfolio weight
- Our best researched, highest conviction ideas aren't diluted
- We believe over diversification leads to less knowledge of individual holdings and therefore *increases* investment risk

Benchmark Agnostic

- We pursue the best ideas in the most promising areas of the market, regardless of benchmark sector weightings
- We are paid to be active managers, not benchmark huggers

We Buy Micro-Caps in Addition to Small-Caps

- Ability to invest in smaller companies significantly increases opportunities to find value
- Able to gain significant information advantage in inefficient/under followed markets
- Micro-caps have historically been one of the strongest performing asset classes (Ibbotson Associates SBBI)
- Smaller opportunities are technically off-limits to larger investment firms burdened by assets

Mix of Short-Term and Long-Term Ideas Smooth Returns

- We require a catalyst, but have patience in our long term convictions
- 7 of last 8 years have produced double-digit positive returns

Investment Process Overview

Idea Generation

Company financial reports & web sites
 Consumer usage & adoption
 NYSE/ASE/NASDAQ new lows

Databases: Bloomberg, Value Line, FactSet
 Investor Business Daily Stocks < \$10
 Value Line Small/Mid-Cap 1700 Edition

Newspaper/trade journal/magazine articles
 IPO failures & M&A spin-off divestitures



9000 US Stocks < \$3 Billion (Focus on ideas between \$70M - \$1.2B)

Value Franchise Model 15

Fortress Balance Sheets	Emerging Catalyst	Discount to Intrinsic Valuation
Founder/Owner Operator Management & Control	Competitive Advantage	Free Cash Flow Growth
Tangible Asset Base	Conservative GAAP policy & disclosure	Organic Earnings Power
Company Strategy Management / Labor	Superior Internal Rates of Return	Historical Price Trends
Franchise Reserves	Business Model	Heritage & Culture

“Margin of Safety 3” test must be met to qualify for further research

Companies scoring at least 11 out of 15 qualify as potential portfolio candidates

Portfolio Construction

80-120 potential portfolio candidates

Mix of small and micro-cap names
 2/3 short term ideas (emerging catalyst)
 1/3 longer term ideas (catalyst >2 years)

Concentrated in best ideas
 Top 10 holdings ~ typically 40%
 Top 20 holdings ~ typically 60%

Sector limits of 35%
 Industry limits of 20%
 Position limits of 8%

Agnostic to benchmark weightings
 New position size = 1% - 2% of portfolio
 Low turnover (< 30% annually)

45-75 positions in final portfolio

Sell Discipline & Risk Controls

Risk Controls:

We perform the majority of our risk management before a stock purchase is ever made. We have high standards for inclusion in our portfolio and want to be long-term partners with the companies we invest in. Our largest weighted holdings have been followed closely for many years.

Stock is reviewed for sale if:

- Secular deterioration in fundamental liquidity, solvency or profitability of quantitative metrics
- Stock reaches 95%–105% of intrinsic value
- Individual stock position reaches 8%
- Issue swap for a better valuation arbitrage
- Failure of the thesis that led to the original purchase
- Impairment of business model, corporate ethics, or deterioration of governance controls

The decision to sell an investment may be based upon other criteria than those shown above, including the portfolio manager's judgement and client goals.

What Investors Should Expect

Client Portfolios

- Fully invested at all times
- 45–75 stocks
- Max position size of 8%, industry limits of 20% and sector limits of 35%
- Average annual turnover of 15%–40%
- Top seven positions weighted at 4%–8% each

Performance Objectives

- Focus on strong balance sheets, minimizing the risk of catastrophic loss from bankruptcy or good will impairment endemic in small company stocks.
- Generate superior returns versus Russell 2000 Value over a longer term market cycle

Market Correlation

- The selective/concentrated nature of our portfolio gives us the potential to outperform in nearly all cycles
- Our emphasis on companies with robust balance sheets and tangible assets provides our portfolio an additional level of protection during market downturns
- We expect poor relative performance in periods of extreme speculation when valuations tend to be ignored

Stock weightings, numbers, allocations and turnover are subject to change based upon specific security and sector changes, client objectives and portfolio manager judgement.

Top Ten Holdings as of December 31, 2011

Supplemental Information

6.5% - Jos. A. Bank Clothiers, Inc.	JOSB
4.9% - J&J Snack Foods Corp.	JJSF
4.9% - Aptar Group, Inc.	ATR
4.7% - Granite Construction, Inc.	GVA
4.5% - Sturm, Ruger & Company, Inc.	RGR
4.2% - Gorman Rupp Co.	GRC
4.0% - Unit Corporation	UNT
3.0% - National Presto Ind.	NPK
2.9% - Utah Medical Products, Inc.	UTMD
2.5% - L.B. Foster Company, Inc.	FSTR

Total Number of Holdings: 73

1 year turnover: 11.56%

Median Market-Cap: \$531 million

Weighted Average Market-Cap: \$1.07 billion

A complete listing of all security holdings is available upon request.

Portfolio Characteristics as of December 31, 2011

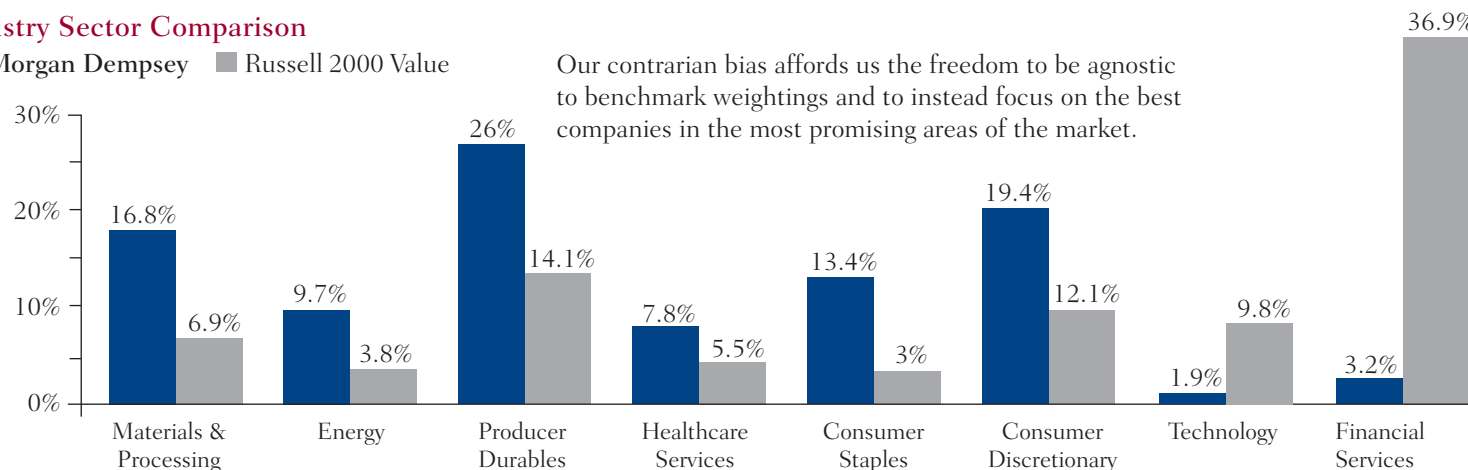
Supplemental Information

Portfolio Characteristics

Total Number of Holdings	73	Median Market Capitalization	\$531 million
Top 10 holdings	42%	Weighted Market Capitalization	\$1.07 billion
Turnover (TTM)	11.56%		

Industry Sector Comparison

■ Morgan Dempsey ■ Russell 2000 Value



Our contrarian bias affords us the freedom to be agnostic to benchmark weightings and to instead focus on the best companies in the most promising areas of the market.

Please note: References to specific portfolio security industry sectors are not intended as recommendations to buy or sell the securities within the industry sectors. These data are based on the characteristics and data of all accounts included in the composite of accounts for which performance data is presented. The Russell 2000 Value measures the performance of small capitalization U.S. stocks, and is a market-value-weighted index

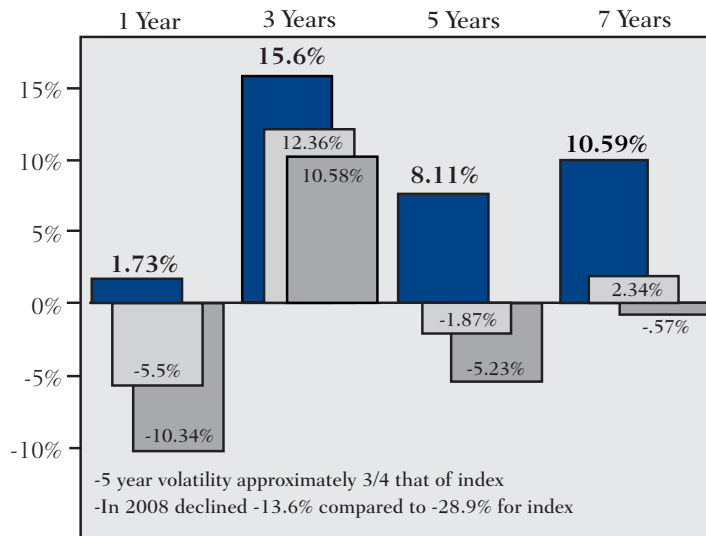
The list of top 10 holdings shows the 10 largest holdings of all fully discretionary accounts managed by Morgan Dempsey Capital Management, LLC. using the Small/Micro-Cap Value equity strategy. This list is current as of the date indicated and does not indicate that the portfolios held any security listed on any prior date or will hold any security listed at any subsequent date. It should not be considered a recommendation to purchase or sell any particular security. The securities listed do not represent an entire portfolio as of the date indicated or as of any other date, and may represent in aggregate only a small percentage of portfolio holdings. It should not be assumed that any security listed was or will prove to be profitable. A complete listing is available upon request.

Investment Performance as of December 31, 2011

Small/Micro-Cap Value Equity - Net of Fees - Time Weighted Returns

MDCM Small/Micro-Cap Value Equity Composite Performance

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year	Russell 2000 Value	Russell Micro-Value
2011	10.84%	-3.35%	-16.65%	13.93%	1.73%	-5.5%	-10.34%
2010	6.29%	-6.09%	10.23%	14.23%	25.68%	24.51%	28.35%
2009	-10.42%	14.84%	13.10%	3.84%	20.83%	20.58%	17.5%
2008	-3.54%	3.81%	-8%	-13.03%	-13.62%	-28.92%	-34.93%
2007	8.05%	11.13%	-8.1%	-7.08%	10.67%	-9.78%	-13.13%
2006	13.66%	-6.94%	2.26%	9.66%	18.61%	23.48%	21.81%
2005	1.20%	5.18%	8.37%	.12%	15.50%	4.71%	3.15%
2004	7.23%	2.86%	.23%	10.72%	22.40%	22.25%	20.92%
2003	-8.31%	18.75%	5.99%	14.15%	31.73%	46.03%	63.46%



- Morgan Dempsey Small/Micro Value
- Russell 2000 Value
- Russell Micro Value



Net Annualized Performance
 Periods ending December 31, 2011

Morgan Dempsey Capital Management Investment Performance Disclosure



SMALL/MICRO-CAP VALUE 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 2000 Value Index	Composite Dispersion
					Gross	Net		
2011	186	125	26	0%	2.83%	1.73%	-5.5%	.36%
2010	213	49	10	0%	26.86%	25.68%	24.51%	.49%
2009	173	5	8	0%	21.96%	20.83%	20.58%	.33%
2008	141	3	5	0%	-12.75%	-13.62%	-28.92%	N.A.
2007	188	4	5	0%	11.74%	10.67%	-9.78%	N.A.
2006	190	3	4	0%	19.74%	18.61%	23.48%	N.A.
2005	69	3	4	0%	16.6%	15.5%	4.71%	N.A.
2004	73	2	4	0%	23.57%	22.40%	22.25%	N.A.
2003	137	.4	1	100%	32.98%	31.73%	46.03%	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 September 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 Small Micro Cap Value Institutional composite has been examined for the periods January 1, 2004 through September 30, 2011. The verification and performance examination reports are available upon request.

Small/Micro-Cap Value Institutional Composite was created June 30, 2010 and contains fully discretionary Small/Micro-Capitalization Value, US domiciled, long only equity, commission based accounts and for comparison purposes is measured against the Russell 2000 Value Index. The minimum account size for this composite is \$100,000. 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 assets reflected in this investment performance begin with the 3rd Quarter 2002. 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. Results for Q4 2002 and Calendar year 2003 were from one account managed and researched exclusively by Brian Rafn at a previous investment advisory 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 Small/Micro-Cap Value annual management fee of 1.1%, 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 Small/Micro Cap Value composite are as follows: first 25 million +1.1%, next 25 million = 1.0%, next 30 million = 0.95 bp, above 80 million = 0.85. Actual investment advisory fees incurred by clients may vary.

Small and Micro-Cap stocks may be subject to a higher degree of risk than more established company securities. Small and Micro-Cap stocks may be less liquid which can potentially increase trading costs. The composition and market volatility of the Russell 2000 Value, Russell 2000 and Russell Micro-cap Value, which are unmanaged market value-weighted indices, and the composition and volatility of the portfolios managed by MDCM are materially different.

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.

The information herein is for informational use only. Under no circumstances does this information represent a recommendation to buy or sell securities. Information contained herein should not be construed as a solicitation or offer of any services in a jurisdiction where Morgan Dempsey Capital Management, LLC is not registered to do business or does not qualify for an exemption or exclusion from registration requirements.

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.



VERIFIED

About Morgan Dempsey

Morgan Dempsey was founded in 1994 as a spin off from NISA, a Milwaukee based investment firm.

We serve a diverse group of clients which include:

- Institutions
- High net worth individuals
- Retirement Plans
- Personal Trusts
- Corporate Trusts
- SMA/UMA platforms

We are an experienced group of professionals committed to delivering a focused investment strategy to our clients that meets their needs for risk adjusted returns. The firm is 100% employee owned by the investment professionals who work here and no investment professional has left the firm in the previous five years.

Brian G. Rafn

PRINCIPAL/DIRECTOR OF RESEARCH/LEAD PORTFOLIO MANAGER

Mr. Rafn joined Morgan Dempsey in October of 2003. He has over 25 years of experience in securities analysis, portfolio management, trading and trust accounting. He is responsible for the securities analysis, portfolio management, and investment policy related to the Small/Micro-Cap Value Strategy.

Principal/Director of Research/
Lead Portfolio Manager
Morgan Dempsey Capital Management

2003–Present

Owner
Sparta Capital
2001–2003

Vice President/Director of Research
Kyle Company
1992–2001

Senior Bond Trader
Harris Bank & Trust Company Inc.
1987–1992

Financial Consultant
Smith Barney Harris Upham Cos
1986–1987

University of Wisconsin-Parkside
MBA—Finance 1984
BS—Accounting 1982
BA—Economics 1982

Terence V. Pavlic, CFA

PORTFOLIO MANAGER/ANALYST

Mr. Pavlic brings 24 years of investing experience to our small/micro-cap team. Terry's diverse professional experience includes management of a \$600 million mutual fund, vice president of the trust and investment management division of a major bank, research analyst, and principal and portfolio manager for a small "boutique" investment advisor.

Mr. Pavlic served on the CFA Institute's Board of Governors from 1997-2000 and has been awarded the CFA Institute's Certificate of Achievement for Continuing Education for 22 consecutive years. He is a member and past president of the CFA Society of Milwaukee, past chair of the Financial Analysts Federation and has lectured at the undergraduate business school program at the University of Wisconsin-Milwaukee.

Portfolio Manager/Analyst

Morgan Dempsey Capital Management

2010–Present

President

Pavlic Investment Advisors

1997–Present

CFA Institute - Board of Governors

1997–2000

Chartered Financial Analyst

Marquette University - Milwaukee, WI

B.S. Finance 1982

DePaul University - Chicago, IL

MBA Finance 1984

Marc Dion, CFA

PRINCIPAL/PORTFOLIO MANAGER

Mr. Dion joined Morgan Dempsey in February 15, 2004 returning to the Milwaukee area from Omaha, NE. He is a seasoned investment professional with nearly 25 years of experience in the financial services industry. Marc is responsible for our Mid-Cap and Dividend Income strategies.

Principal/Portfolio Manager

Morgan Dempsey Capital Management

2004–Present

Chief Investment Strategist

First National Bank of Omaha

2001–2003

Sr. Portfolio Manager

Davidson Investment Advisors

1999–2001

Chief Investment Officer

Ziegler Asset Management, Inc.

1991–1999

Director of Research, Director of the
Investment Institute

Richard Schillfarth & Assoc.

1987–1991

Chartered Financial Analyst

University of Wisconsin–Madison

MBA Finance 1986

M.A. American History 1981

B.A. History

Kalamazoo College – Michigan

David W. Durham

PRINCIPAL

Mr. Durham joined Morgan Dempsey in April of 2008 with over 13 years of experience in the investment and trust industry. Prior to joining Morgan Dempsey, David was a Senior Vice President with U.S. Bank where he sat on the Management Committee, lead the Business Development Officers and managed the national sales effort. David is responsible for the overall management of the firm, compliance and client services.

Principal

Morgan Dempsey Capital Management

2008-Present

Senior Vice President

Management Committee and National Sales

Manager Institutional Trust and Custody

U.S. Bank

2001–2008

Vice President

National Sales Manager - Institutional

Separately Managed Accounts FIRMCO

Firststar/US Bank

2000-2001

AG Edwards Company

St. Louis, MO

1998-2000

Lieutenant Colonel USMCR

United States Marine Corps

1989–Present

Lipscomb University - Nashville, TN

Bachelor of Arts—1989

Sandeep Brion

RESEARCH ANALYST

Ms. Brion joined Morgan Dempsey in April 2011. Prior to joining Morgan Dempsey, Sandeep was a Research Analyst with Kellogg Asset Management, an affiliate of Associated Banc-Corp, where she focused on consumer discretionary and consumer staples sectors. Sandeep's academic background includes an MBA from the University of Wisconsin, Madison's, ASAP (Applied Securities Analysis Program) at the Hawk Center, and a Bachelor's in Computer Engineering from the University of Pune, India. She provides research and analysis for Morgan Dempsey's equity products.

Research Analyst
Morgan Dempsey Capital Management
2011

University of Wisconsin–Madison's School of Business
MBA-Stephen L. Hawk Center for Applied Securities Analysis
Program (ASAP), 2009

Research Analyst
Kellogg Asset Management
2009-2011

University of Pune, India
Bachelor of Computer Engineering

Beverly J. Pliskie

HEAD OF OPERATIONS & TRADING

Mrs. Pliskie joined Morgan Dempsey in April of 2004. She has over 10 years of experience in the financial services industry.

Morgan Dempsey Capital Management

2004–Present

Client Service/Operations

Reinhart-Partners

1997–2004

Administrative Assistant/Client Service Rep

Robert W. Baird & Co.

1996–1997