

Annual Report



Morgan Dempsey Small/Micro Cap Value Fund (MITYX)

August 31, 2018

Investment Adviser

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Dear Shareholders,

The Fund returned 24.27% for the fiscal year ended August 31, 2018, versus the Russell 2000 Value Total Return Index which returned 20.05%. For the six months ended August 31, 2018, the Fund returned 16.67% versus the Russell 2000 Value Total Return Index which returned only 14.24%.

A strong job market, improving wage growth and a rebound in retail sales implies that the economy remains on firm footing. Corporate earnings growth has been solid, enhanced by the impact of the tax package passed into law at the end of 2017. The U.S./North Korean relationship has taken a turn for the better as well, with the Trump/Kim Singapore summit helping to reduce tensions between the two countries. Equity volatility, as embodied in the VIX index, the Chicago Board Options Exchange Volatility Index which shows the market's expectation of 30-day volatility, has also been subdued, reflecting a lower level of perceived risk by stock investors. These all have contributed to a positive backdrop for the equity market.

A sharp increase in oil prices, although a positive for oil-related stocks, has the potential to dampen both U.S. and global growth. The yield curve also continued to flatten as short-term interest rates rose faster than longer-term interest rates. This generally is a negative for banks, making lending less profitable and reducing their net interest margins. However, in our opinion, the most important development was the U.S.'s slow progression towards all-out trade wars with both China and other major trading partners. Trade wars can increase costs to consumers, pressure corporate margins and upend expansion plans both locally and globally. We suspect that a true trade war has the potential to eventually change the currently constructive investment narrative.

One of the more unusual aspects of the equity market's year-to-date performance has been the inordinate impact of a small number of growth-oriented stocks on the S&P 500 Index's performance. In our opinion, this dynamic has helped to obfuscate the weakness of the broader equity market at this point in the cycle. It also has caused problems for value-oriented managers who can't justify owning pricey growth stocks in their strategies.

The potential for a significant trade war further reinforces our rationale for a cautious stance. If the market is truly a discounting mechanism, future economic and earnings improvement are essential to justify both current market valuations and future stock appreciation. Our primary concern, as stated in previous reports, is the longer-term impact from the Federal Reserve's unwinding of its extraordinary monetary experiment composed of extremely low-interest rates and massive bond purchases via Quantitative Easing. We expect this to both increase the cost of money and drain liquidity from the market, pressuring stock prices. An escalation of the brewing trade war between the U.S. and various adversaries and allies is a wild card that could quickly inject additional risk into the investment environment.

During the Fund's fiscal year, there have been periods of rotation back to higher quality value companies versus growth which is a function of the normalization of monetary policy and rising interest rates. The period of easy capital came to an end, and highly leveraged companies, specifically those who have floating rate debt on the books, are finding it harder to compete with the Fund's "Fortress Balance Sheet" zero-to-low-debt companies. We will continue to remind our Shareholders that well over 40% of the stocks in the Russell 2000 Value Total Return Index are highly leveraged, and we believe that "accounting gravity" has generally returned to the markets, a period favorable to active management.

During the Fund's fiscal year, there have been periods that favored micro-caps versus larger small-cap stocks and periods where larger small-cap stocks have outperformed

smaller capitalization stocks. The Fund's ability to own and balance both micro-cap and small-cap stocks benefited the Fund relative to the Russell 2000 Value Total Return Index.

The Fund also benefited from the performance of several of the top seven positions, the "Locomotive 7" stocks which are a diversified group of our highest conviction stocks which have been in the Fund's portfolio a minimum of five years, and are designed to "pull the train."

Given the performance of the equity markets over the past year and the stretched valuations, we maintain that controlling risk is important, and our focus on quality and our value-based active process is as important as ever moving into the new Fund year.

Issue Specific

The following were our strongest performing companies and our weakest performing companies for the Fund for the year ended August 31, 2018:

Top 3 Contributors for the year ended August 31, 2018:

Marcus Corporation

Consumer Cyclical: Hospitality Entertainment

Marcus Corp. engages in operating movie theatres, hotels, and resorts. Various initiatives and investments that the company has undertaken in their theater division improved top-line growth. Significant industry outperformance drove shares higher throughout the year. The company has now outperformed (on an operating basis) in 16 of the last 18 quarters. The Wehrenberg acquisition has proved a great investment and allowed the company to deploy its proven initiatives to additional locations.

Sturm, Ruger & Co.

Industrials: Firearms

Sturm, Ruger & Co., Inc. engages in the design, manufacture, and sale of firearms to local customers. Inventory levels at both the company and distributor have fallen significantly to a more stable level that we feel is good for both the company and firearms industry. The company's backlog continues to grow, and the trend remains positive. New products and lower distributor inventories will continue to drive sales.

MSA Safety, Inc.

Industrials: Safety Clothing and Equipment

MSA Safety, Inc. engages in developing, manufacturing, and sales of innovative products that enhance the safety and health of workers and protect facility infrastructures. The company continues to benefit from strong demand for its SCBA (Self-contained Breathing Apparatus) used by fire departments across the country. As with most of the companies in our portfolio, the lowering of the Federal tax cuts disproportionately benefitted small, U.S. domestic stocks that generate a majority of their revenue in the U.S. Also, the continued strength in the energy, construction, and general industrial markets have driven volumes and increased prices.

Bottom 3 Contributors for the year ended August 31, 2018:

Granite Construction, Inc.

Industrials: Engineering & Construction

Granite Construction, Inc. is a holding company, which engages in the provision of infrastructure solutions for public and private clients. Granite continues to perform well on an operating basis, reporting its second-best 2nd quarter this year in the history of the company. This drove this year's first half revenue performance and was the best-ever start to any year in the company's history. With a robust pipeline and continued need for massive spending on transportation infrastructure, we like this position moving forward.

Ampco-Pittsburgh Corp.

Industrials: Diversified Industrials

Ampco-Pittsburgh Corp. engages in the manufacture and sale of custom-designed engineering products. Tariffs imposed by the U.S. on imported steel products from Canada

are causing a negative impact on their Canadian subsidiary and have put pressure on their cost structure of forged engineered products business in the U.S. The Fund exited the position during the 2nd calendar quarter of 2018.

Sanderson Farms

Consumer Defensive: Packaged Foods

Sanderson Farms, Inc. is a poultry processing company that engages in the production, processing, marketing and distribution of fresh, frozen, further processed and partially cooked chicken products. Counter-seasonal weakness in market prices for boneless breast meat negatively impacted results. Market prices for poultry produced for retail grocery stores continue to reflect a more balanced supply and demand environment. Feed costs also continued to rise throughout the year, increasing costs to raise chickens. Hurricane Florence also impacted operations. No serious injuries were reported but approximately 1.7 million chickens out of approximately 20 million were killed from the flooding. These chickens will take time to replace.

Sector Performance:

The following were our strongest performing sectors and our weakest performing sectors for the year ended August 31, 2018:

Top 3 Performing Sectors

Communication Services
Information Technology
Consumer Discretionary

Bottom 3 Performing Sectors:

Energy
Consumer Staples
Health Care

Perspective and Outlook:

World economies and the U.S. economy have continued to improve. As we reported in our Semi-Annual Shareholder Letter, there is an optimism at our companies which has continued, but they tend to be cautiously optimistic, as do we, with most of our concerns centered on rising interest rates. We continue to be bullish that selective small-cap value stocks will outperform growth and larger small caps. We believe cyclical will outperform defensive stocks. We have also noticed strength in the Industrial sector toward the end of the Fund's fiscal year that we believe will continue.

While it did not materialize since our Semi-Annual Shareholder Letter was written, we would still anticipate a period of lower than historical returns for equities, which should advantage active management versus passive index investing. With rising interest rates, the large amount of highly leveraged companies in the Russell 2000 Value Total Return Index which have no earnings, we continue to believe, will mean a potential period of outperformance for the kind of companies the Fund owns, those with strong earnings and/or which are profitable.

Therefore, Morgan Dempsey believes an investment discipline that requires "fortress balance sheets," strong cash flow characteristics, low debt, and self-funding organic growth is preferable at this juncture (and always) to holding companies laden with debt and plagued by refinancing risk.

As always, we believe our pursuit of companies with strong competitive characteristics, strong "fortress balance sheets" combined with our preference for Founder/Owner Operator run businesses, offers the Fund an additional level of protection if the economy weakens or there is a sharp correction in the equity markets. Our emphasis on dynamic,

strong business models and market leaders who are focused on organic growth through new product development should allow us to continue to participate in up markets. We remain fully invested and confident that we can achieve our goal of outperforming our benchmark over full market cycles.

Past performance is not a guarantee of future results.

The information provided herein represents the opinion of Morgan Dempsey Capital Management, LLC and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

Mutual fund investing involves risk. Principal loss is possible. Investments in small and microcap companies involve additional risks such as limited liquidity and greater volatility. Unlike mutual funds, exchange-traded funds (“ETFs”) do not necessarily trade at the net asset values of their underlying securities, which means an ETF could potentially trade above or below the value of its underlying portfolio.

Earnings growth is not a measure of the Fund’s future performance.

Fund holdings and sector allocations are subject to change at any time and should not be considered recommendations to buy or sell any security. Please refer to the Schedule of Investments in this report for a complete list of fund holdings.

The Russell 2000® Value Total Return Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. You cannot invest directly in an index.

The Standard & Poor’s 500 Index (S&P 500) is an index of 500 stocks seen as a leading indicator of U.S. equities and a reflection of the performance of the large-cap universe, made up of companies selected by economists. The S&P 500 is a market value weighted index and one of the common benchmarks for the U.S. stock market; other S&P indexes include small-cap companies with market capitalization between \$300 million and \$2 billion and an index of mid-cap companies. Investment products based on the S&P 500 include index funds and ETFs are available to investors.

This report is intended for the shareholders of the Fund and may not be used as sales literature unless preceded or accompanied by a current prospectus.

The Morgan Dempsey Small/Micro Cap Value Fund is distributed by Quasar Distributors, LLC.

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Expense Example

(Unaudited)

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including redemption fees and (2) ongoing costs, including management fees and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund, and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (3/1/18 – 8/31/18).

Actual Expenses

The first line of the following table provides information about actual account values and actual expenses. Although the Fund charges no load, you will be assessed fees for outgoing wire transfers, returned checks and stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Fund's transfer agent. If you request that a redemption be made by wire transfer, currently a \$15.00 fee is charged by the Fund's transfer agent. You will be charged a redemption fee equal to 2.00% of the net amount of the redemption if you redeem your shares of the Fund within 90 days of purchase. IRA accounts will be charged a \$15.00 annual maintenance fee. To the extent the Fund invests in shares of exchange-traded funds or other investment companies as part of its investment strategy, you will indirectly bear your proportionate share of any fees and expenses charged by the underlying funds in which the Fund invests in addition to the direct expenses of the Fund. Actual expenses of the underlying funds are expected to vary among the various underlying funds. These expenses are not included in the example. The example includes, but is not limited to, management fees, fund administration and accounting, custody and transfer agent fees. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as redemption fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Expense Example (Continued)

(Unaudited)

	<u>Beginning Account Value 3/1/18</u>	<u>Ending Account Value 8/31/18</u>	<u>Expenses Paid During Period 3/1/18 – 8/31/18*</u>
Actual	\$1,000.00	\$1,166.70	\$7.10
Hypothetical (5% annual return before expenses)	\$1,000.00	\$1,018.65	\$6.61

* Expenses are equal to the Fund's annualized expense ratio of 1.30%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

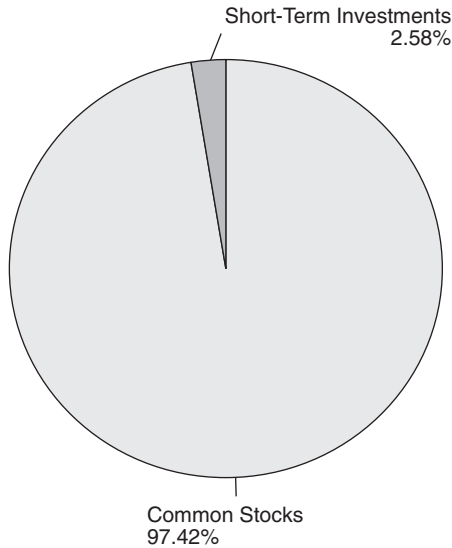
MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Investment Highlights

(Unaudited)

The investment objective of the Fund is long-term capital appreciation. To achieve its investment objective, the Fund invests in companies with micro- and small-size market capitalizations (“micro-cap” and “small-cap” companies). The Fund currently defines micro-cap companies as companies with market capitalizations between \$50 million and \$500 million and small-cap companies as companies with market capitalizations between \$500 million and \$3 billion. Under normal market conditions, at least 80% of the Fund’s net assets, plus the amount of any borrowings for investment purposes, will be invested in common stocks and other equity securities of micro-cap and small-cap companies. The Fund’s allocation of portfolio holdings as of August 31, 2018 is shown below.

Allocation of Portfolio Holdings (% of Investments)



Continued

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Investment Highlights (Continued)

(Unaudited)

Average Annual Total Returns as of August 31, 2018

	<u>One Year</u>	<u>Five Years</u>	<u>Since Inception (12/31/10)</u>
Morgan Dempsey Small/Micro Cap Value Fund	24.27%	9.00%	9.08%
Russell 2000® Value Total Return Index	<u>20.05%</u>	<u>11.72%</u>	<u>11.21%</u>

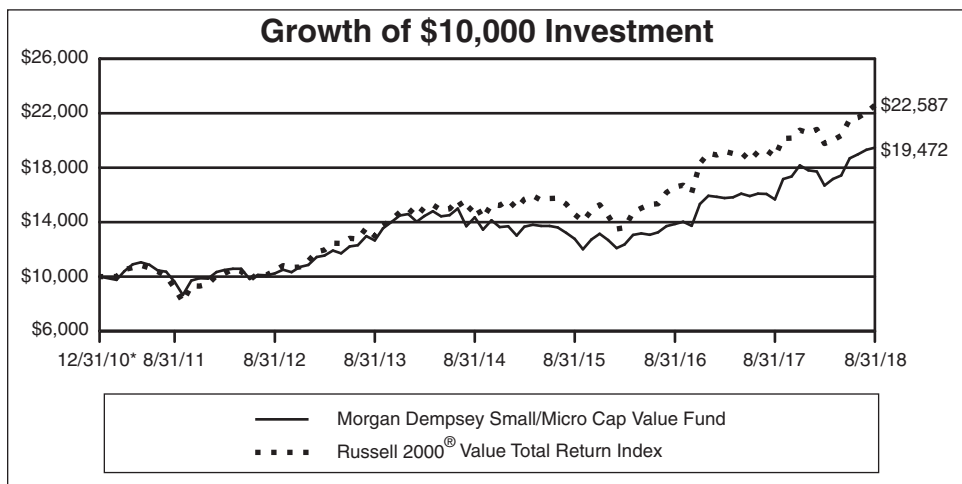
Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 877-642-7227. The Fund imposes a 2.00% redemption fee on shares redeemed within ninety days of purchase. Performance quoted does not reflect the redemption fee. If reflected, total returns would be reduced.

Investment performance reflects fee waivers in effect. In the absence of such waivers, total returns would be reduced.

The returns shown assume reinvestment of Fund distributions and do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. The following graph illustrates performance of a hypothetical investment made in the Fund and a broad-based securities index on the Fund's inception date. The graph does not reflect any future performance.

The Russell 2000® Value Total Return Index is an unmanaged index of those Russell 2000 companies chosen for their value orientation.

One cannot invest directly in an index.



* Inception Date

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Schedule of Investments

August 31, 2018

	<u>Shares</u>	<u>Value</u>
COMMON STOCKS – 97.36%		
Adhesives, Coatings, Sealants & Paints – 0.77%		
CSW Industrials, Inc. (a)	3,405	\$ 190,680
Aerospace/Defense – 2.81%		
Cubic Corp.	4,918	372,293
Espey Manufacturing & Electronics Corp.	6,077	162,560
SIFCO Industries, Inc. (a)	31,660	164,632
		<u>699,485</u>
Agriculture & Dairy Farms – 1.19%		
Cal-Maine Foods, Inc.	5,988	296,107
Ammunition & Explosive Ordnance – 1.73%		
National Presto Industries, Inc.	3,227	427,900
Athletic Sporting Goods – 2.02%		
Johnson Outdoors, Inc. – Class A	4,965	502,855
Building Products & Supply – 3.92%		
Apogee Enterprises, Inc.	6,915	340,356
Insteel Industries, Inc.	6,976	267,530
Simpson Manufacturing Co., Inc.	4,767	365,962
		<u>973,848</u>
Casinos & Gaming – 1.49%		
Monarch Casino & Resort, Inc. (a)	7,861	369,860
Chemicals – 0.65%		
Oil-Dri Corp. of America	3,956	160,811
Chemicals – Specialty – 0.63%		
Hawkins, Inc.	3,769	155,660
Cinema Theater Exhibitors – 5.27%		
Marcus Corp.	32,245	1,309,147
Commercial Banks – Community – 7.83%		
Ames National Corp.	8,260	249,865
Auburn National Bancorporation, Inc.	6,104	283,225
Bar Harbor Bankshares	7,950	234,128
Eagle Bancorp Montana, Inc.	8,973	166,898
First of Long Island Corp.	7,447	162,334
German American Bancorp, Inc.	10,696	402,062

The accompanying notes are an integral part of these financial statements.

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Schedule of Investments (Continued)

August 31, 2018

	<u>Shares</u>	<u>Value</u>
Commercial Banks – Community – 7.83% (Continued)		
Hingham Institution for Savings	1,418	\$ 307,720
Nicolet Bankshares, Inc. (a)	2,491	137,902
		<u>1,944,134</u>
Commercial Vehicles Manufacturing – 0.35%		
Wabash National Corp.	4,815	<u>87,826</u>
Construction & Engineering Services – 4.29%		
Granite Construction, Inc.	23,316	<u>1,065,075</u>
Construction & Mining Machinery – 1.20%		
Astec Industries, Inc.	6,104	<u>296,960</u>
Containers – Metal, Glass & Plastic – 1.30%		
AptarGroup, Inc.	3,104	<u>325,019</u>
Crane Hoist & Chains – 1.10%		
Columbus McKinnon Corp.	6,443	<u>274,021</u>
Electrical Power Equipment & Grid Infrastructure – 2.50%		
MYR Group, Inc. (a)	10,487	364,633
Powell Industries, Inc.	6,534	255,806
		<u>620,439</u>
Electronic Circuit Board – 1.11%		
Kimball Electronics, Inc. (a)	13,984	<u>276,883</u>
Electronic Equipment & Instruments – 1.21%		
Badger Meter, Inc.	5,464	<u>300,247</u>
Engines & Transmissions – 1.29%		
Twin Disc, Inc. (a)	12,557	<u>320,831</u>
Fork Trucks & Lifts – 0.90%		
Hyster-Yale Materials Handling, Inc. – Class A	3,629	<u>223,909</u>
Grocery Retail – 4.68%		
Weis Markets, Inc.	24,930	<u>1,161,489</u>
Guns & Accessories – 5.01%		
Sturm, Ruger & Co., Inc.	19,021	<u>1,244,924</u>
Health Care – Equipment – 4.12%		
ICU Medical, Inc. (a)	1,071	327,726

The accompanying notes are an integral part of these financial statements.

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Schedule of Investments (Continued)

August 31, 2018

	<u>Shares</u>	<u>Value</u>
Health Care – Equipment – 4.12% (Continued)		
Merit Medical Systems, Inc. (a)	5,993	\$ 352,687
Utah Medical Products, Inc.	3,790	344,322
		<u>1,024,735</u>
Health Care – Supplies – 0.94%		
Atrion Corp.	355	<u>232,543</u>
Health Safety & Protective Supply – 5.22%		
Lakeland Industries, Inc. (a)	10,470	138,204
MSA Safety, Inc.	11,441	1,156,571
		<u>1,294,775</u>
Home Furniture – 1.20%		
Hooker Furniture Corp.	7,110	<u>298,975</u>
Homebuilders – Single Family Home Construction – 0.75%		
M/I Homes, Inc.	7,205	<u>186,682</u>
Insurance – Property/Casualty – 0.49%		
United Fire Group, Inc.	2,470	<u>122,339</u>
Laboratories Equipment & Furniture – 0.40%		
Kewaunee Scientific Corp.	3,127	<u>99,908</u>
Meat Poultry & Fish – 0.74%		
Sanderson Farms, Inc.	1,738	<u>183,811</u>
Metal Pipelines & Tubes – 1.63%		
Northwest Pipe Co. (a)	6,445	116,397
Synalloy Corp.	12,509	287,082
		<u>403,479</u>
Mobile Phone Accessories – 0.41%		
ZAGG, Inc. (a)	6,255	<u>101,331</u>
Oil & Gas Drilling Equipment – 1.88%		
Dril-Quip, Inc. (a)	6,383	336,065
Gulf Island Fabrication, Inc.	13,926	131,601
		<u>467,666</u>
Oil & Gas Exploration/Production – 2.40%		
Unit Corp. (a)	22,623	<u>594,758</u>

The accompanying notes are an integral part of these financial statements.

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Schedule of Investments (Continued)

August 31, 2018

	<u>Shares</u>	<u>Value</u>
Oil & Gas Field Services – 2.07%		
Keane Group, Inc. (a)	11,560	\$ 141,957
Oil States International, Inc. (a)	2,940	99,519
RPC, Inc.	8,511	116,430
Solaris Oilfield Infrastructure, Inc. – Class A (a)	9,116	156,978
		<u>514,884</u>
Packaged Foods – 4.62%		
Flowers Foods, Inc.	8,813	177,582
J & J Snack Foods Corp.	6,662	969,321
		<u>1,146,903</u>
Pollution & Waste Control – 0.53%		
Perma-Pipe International Holdings, Inc. (a)	14,279	132,081
Pumps & Pumping Equipment – 5.74%		
Franklin Electric Co, Inc.	2,618	128,020
Gorman-Rupp Co.	35,345	1,295,747
		<u>1,423,767</u>
Rail Road Equipment & Rolling Stock – 0.49%		
FreightCar America, Inc. (a)	7,237	122,378
Research Publishing – 0.63%		
Value Line, Inc.	6,414	156,566
Retail – Apparel – 1.57%		
Duluth Holdings, Inc. – Class B (a)	13,469	389,793
RV, Motor Home & Trailer – 0.62%		
Thor Industries, Inc.	1,602	152,895
Semiconductor Back End Capital Equipment – 0.11%		
Cohu, Inc.	1,000	26,380
Semiconductor Chemicals & Supply – 2.04%		
Cabot Microelectronics Corp.	2,856	321,957
Park Electrochemical Corp.	8,700	186,006
		<u>507,963</u>
Semiconductor Devices – Discrete – 0.88%		
Diodes, Inc. (a)	5,775	218,988

The accompanying notes are an integral part of these financial statements.

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Schedule of Investments (Continued)

August 31, 2018

	<u>Shares</u>	<u>Value</u>
Semiconductor Equipment – 0.76%		
MKS Instruments, Inc.	2,023	\$ 187,937
Structural Metal, Plate Work, & Sheet Metal – 1.34%		
LB Foster Co. – Class A (a)	14,591	331,944
Tow Truck & Wreckers – 0.67%		
Miller Industries, Inc.	5,754	165,715
Trucking FTL/LTL – 0.81%		
Marten Transport Ltd.	9,133	201,383
Valves, Fluid Power & Control Equipment – 1.05%		
Graham Corp.	9,338	259,690
TOTAL COMMON STOCKS (Cost \$18,784,550)		<u>\$24,178,379</u>
SHORT-TERM INVESTMENTS – 2.57%		
Money Market Funds – 2.57%		
STIT-Treasury Obligations Portfolio, Institutional Class, 1.850% (b)	639,319	639,319
TOTAL SHORT-TERM INVESTMENTS (Cost \$639,319)		<u>\$ 639,319</u>
Total Investments (Cost \$19,423,869) – 99.93%		<u>\$24,817,698</u>
Other Assets in Excess of Liabilities – 0.07%		16,594
TOTAL NET ASSETS – 100.00%		<u>\$24,834,292</u>

(a) Non-income producing security.

(b) Seven day yield as of August 31, 2018.

Industry classifications are determined by Morgan Dempsey Capital Management, LLC and may reference data from sources such as Global Industry Classification Standard (GICS). GICS was developed by and/or is the exclusive property of MSCI, Inc. and Standard & Poors Financial Services LLC (“S&P”). GICS is a service mark of MSCI and S&P and has been licensed for use by U.S. Bancorp Fund Services, LLC.

The accompanying notes are an integral part of these financial statements.

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Statement of Assets and Liabilities

August 31, 2018

Assets

Investments, at value (cost \$19,423,869)	\$24,817,698
Dividends and interest receivable	25,547
Receivable for Fund shares sold	16,688
Other assets	9,374
Total Assets	<u>24,869,307</u>

Liabilities

Payable to affiliates	19,373
Payable to Adviser	9,188
Accrued expenses and other liabilities	6,454
Total Liabilities	<u>35,015</u>

Net Assets	<u>\$24,834,292</u>
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Net Assets Consist of:

Paid-in capital	\$23,366,967
Accumulated undistributed net investment income	58,986
Accumulated net realized loss	(3,985,490)
Net unrealized appreciation on investments	5,393,829
Net Assets	<u>\$24,834,292</u>

Shares of beneficial interest outstanding (unlimited number of shares authorized, \$0.001 par value)	<u>1,424,579</u>
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Net asset value, redemption price and offering price per share ⁽¹⁾	<u>\$ 17.43</u>
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(1) If applicable, redemption price per share may be reduced by a 2.00% redemption fee for shares redeemed within ninety days of purchase.

The accompanying notes are an integral part of these financial statements.

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Statement of Operations

For the Year Ended August 31, 2018

Investment Income

Dividend income	\$ 354,763
Interest income	6,760
Total Investment Income	<u>361,523</u>

Expenses

Management fees	255,955
Administration fees	42,104
Transfer agent fees and expenses	29,837
Fund accounting fees	29,195
Federal and state registration fees	20,182
Legal fees	18,610
Audit and tax fees	16,994
Chief Compliance Officer fees	8,012
Trustees' fees	7,523
Reports to shareholders	6,523
Custody fees	5,907
Other expenses	4,522
Total Expenses	<u>445,364</u>
Less waivers and reimbursements by Adviser (Note 4)	<u>(142,827)</u>
Net Expenses	<u>302,537</u>

Net Investment Income	58,986
------------------------------	--------

Realized and Unrealized Gain on Investments

Net realized gain from investments	906,839
Change in net unrealized appreciation on investments	<u>3,998,100</u>
Net Realized and Unrealized Gain on Investments	<u>4,904,939</u>
Net Increase in Net Assets from Operations	<u>\$4,963,925</u>

The accompanying notes are an integral part of these financial statements.

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Statements of Changes in Net Assets

	Year Ended August 31, 2018	Year Ended August 31, 2017
From Operations		
Net investment income	\$ 58,986	\$ 23,280
Net realized gain from investments	906,839	906,564
Net change in unrealized appreciation on investments	<u>3,998,100</u>	<u>1,329,382</u>
Net increase in net assets from operations	<u>4,963,925</u>	<u>2,259,226</u>
From Distributions		
Net investment income	<u>(23,030)</u>	<u>(64,096)</u>
Net decrease in net assets resulting from distributions paid	<u>(23,030)</u>	<u>(64,096)</u>
From Capital Share Transactions		
Proceeds from shares sold	2,759,937	5,146,248
Net asset value of shares issued to shareholders in payment of distributions declared	3,015	9,584
Costs for shares redeemed ⁽¹⁾	<u>(3,608,084)</u>	<u>(3,958,516)</u>
Net increase (decrease) in net assets from capital share transactions	<u>(845,132)</u>	<u>1,197,316</u>
Total Increase in Net Assets	4,095,763	3,392,446
Net Assets:		
Beginning of year	<u>20,738,529</u>	<u>17,346,083</u>
End of year	<u>\$24,834,292</u>	<u>\$20,738,529</u>
Accumulated Undistributed Net Investment Income .	<u>\$ 58,986</u>	<u>\$ 23,030</u>

⁽¹⁾ Net of redemption fees of \$0 and \$204 for the years ended August 31, 2018 and August 31, 2017, respectively.

The accompanying notes are an integral part of these financial statements.

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MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Financial Highlights

Net Asset Value, Beginning of Year

Income from investment operations:

Net investment income⁽¹⁾

Net realized and unrealized gain (loss) on investments

Total from investment operations

Less distributions paid:

From net investment income

From net realized gain on investments

Total distributions paid

Paid-in capital from redemption fees (Note 2)

Net Asset Value, End of Year

Total Return

Supplemental Data and Ratios:

Net assets at end of year (000's)

Ratio of expenses to average net assets:

Before waiver and expense reimbursement

After waiver and expense reimbursement

Ratio of net investment income (loss) to average net assets:

Before waiver and expense reimbursement

After waiver and expense reimbursement

Portfolio turnover rate

(1) Per share net investment income (loss) has been calculated using the daily average shares outstanding method.

(2) Rounds to less than 0.5 cent per share.

(3) The ratio of expenses to average net assets includes interest expenses. The annualized before waiver and expense reimbursement and after waiver and expense reimbursement ratios excluding interest expenses were 2.13% and 1.30% and 1.57% and 1.30% for the years ended August 31, 2016 and August 31, 2015, respectively.

The accompanying notes are an integral part of these financial statements.

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Financial Highlights (Continued)

Per Share Data for a Share Outstanding Throughout Each Year

	Year Ended August 31,				
2018	2017	2016	2015	2014	
<u>\$14.04</u>	<u>\$12.46</u>	<u>\$11.56</u>	<u>\$13.79</u>	<u>\$12.30</u>	
0.04	0.02	0.05	0.05	0.02	
<u>3.36</u>	<u>1.61</u>	<u>0.93</u>	<u>(1.52)</u>	<u>1.63</u>	
<u>3.40</u>	<u>1.63</u>	<u>0.98</u>	<u>(1.47)</u>	<u>1.65</u>	
(0.01)	(0.05)	(0.08)	(0.04)	(0.00) ⁽²⁾	
<u>—</u>	<u>—</u>	<u>—</u>	<u>(0.72)</u>	<u>(0.16)</u>	
<u>(0.01)</u>	<u>(0.05)</u>	<u>(0.08)</u>	<u>(0.76)</u>	<u>(0.16)</u>	
<u>—</u>	<u>0.00⁽²⁾</u>	<u>0.00⁽²⁾</u>	<u>0.00⁽²⁾</u>	<u>0.00⁽²⁾</u>	
<u>\$17.43</u>	<u>\$14.04</u>	<u>\$12.46</u>	<u>\$11.56</u>	<u>\$13.79</u>	
24.27%	13.03%	8.55%	(11.04)%	13.43%	
\$24,834	\$20,739	\$17,346	\$27,398	\$90,274	
1.91%	2.03%	2.14% ⁽³⁾	1.58% ⁽³⁾	1.59%	
1.30%	1.30%	1.31% ⁽³⁾	1.31% ⁽³⁾	1.30%	
(0.36)%	(0.61)%	(0.38)%	0.12%	(0.13)%	
0.25%	0.12%	0.45%	0.39%	0.16%	
13.99%	23.85%	16.66%	7.83%	13.87%	

The accompanying notes are an integral part of these financial statements.

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Notes to Financial Statements

August 31, 2018

(1) Organization

Trust for Professional Managers (the “Trust”) was organized as a Delaware statutory trust under a Declaration of Trust dated May 29, 2001. The Trust is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company. The Morgan Dempsey Small/Micro Cap Value Fund (the “Fund”) represents a distinct diversified series with its own investment objective and policies within the Trust. The investment objective of the Fund is long-term capital appreciation. The Trust may issue an unlimited number of shares of beneficial interest at \$0.001 par value. The assets of the Fund are segregated, and a shareholder’s interest is limited to the fund in which shares are held. The Fund became effective on April 30, 2010 and commenced operations on December 31, 2010. The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification Topic 946 “Financial Services—Investment Companies”. Costs incurred by the Fund in connection with the organization and the initial public offering of shares were paid by Morgan Dempsey Capital Management, LLC (the “Adviser”), the Fund’s investment adviser.

(2) Significant Accounting Policies

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of the financial statements. These policies are in conformity with generally accepted accounting principles in the United States of America (“GAAP”).

(a) *Investment Valuation*

Each security owned by the Fund that is listed on a securities exchange is valued at its last sale price on that exchange on the date as of which assets are valued.

If the security is listed on more than one exchange, the Fund will use the price of the exchange that the Fund generally considers to be the principal exchange on which the security is traded. Portfolio securities listed on the NASDAQ Stock Market, Inc. (“NASDAQ”) will be valued at the NASDAQ Official Closing Price, which may not necessarily represent the last sale price. If there has been no sale on such exchange or on NASDAQ on such day, the security is valued at the mean between the most recent bid and asked prices on such day or the security shall be valued at the latest sales price on the “composite market” for the day such security is being valued. The composite market is defined as a consolidation of the trade information provided by national securities and foreign exchanges and over-the-counter markets as published by an approved pricing service (a “Pricing Service”).

If market quotations are not readily available, a security or other asset will be valued at its fair value as determined under fair value pricing procedures approved by the Board of Trustees. These fair value pricing procedures will also be used to price a security when corporate events, events in the securities market and/or world events cause the Adviser to believe that a security’s last sale price may not reflect its actual

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Notes to Financial Statements (Continued)

August 31, 2018

fair value. The intended effect of using fair value pricing procedures is to ensure that the Fund is accurately priced. The Board of Trustees will regularly evaluate whether the Fund's fair value pricing procedures continue to be appropriate in light of the specific circumstances of the Fund and the quality of prices obtained through the application of such procedures by the Trust's valuation committee.

Debt securities, including short-term debt instruments having a maturity of 60 days or less, are valued at the mean in accordance with prices supplied by an approved Pricing Service. Pricing Services may use various valuation methodologies such as the mean between the bid and the asked prices, matrix pricing and other analytical pricing models as well as market transactions and dealer quotations. If a price is not available from a Pricing Service, the most recent quotation obtained from one or more broker-dealers known to follow the issue will be obtained. Quotations will be valued at the mean between the bid and the offer. Any discount or premium is accreted or amortized using the constant yield method until maturity.

Money market funds, demand notes and repurchase agreements are valued at cost. If cost does not represent current market value the securities will be priced at fair value.

Redeemable securities issued by open-end, registered investment companies are valued at the net asset value ("NAV") of such companies for purchase and/or redemption orders placed on that day. All exchange-traded funds are valued at the last reported sale price on the exchange on which the security is principally traded.

FASB Accounting Standards Codification, "Fair Value Measurements and Disclosures" Topic 820 ("ASC 820"), establishes an authoritative definition of fair value and sets out a hierarchy for measuring fair value. ASC 820 requires an entity to evaluate certain factors to determine whether there has been a significant decrease in volume and level of activity for the security such that recent transactions and quoted prices may not be determinative of fair value and further analysis and adjustment may be necessary to estimate fair value. ASC 820 also requires enhanced disclosure regarding the inputs and valuation techniques used to measure fair value in those instances as well as expanded disclosure of valuation levels for each class of investments. These inputs are summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical securities.
- Level 2 – Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
- Level 3 – Significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Fund's investments carried at fair value as of August 31, 2018:

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Notes to Financial Statements (Continued)

August 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Common Stocks ⁽¹⁾	\$24,013,747	\$164,632	\$ —	\$24,178,379
Short-Term Investments	<u>639,319</u>	<u>—</u>	<u>—</u>	<u>639,319</u>
Total Investments				
in Securities	<u>\$24,653,066</u>	<u>\$164,632</u>	<u>\$ —</u>	<u>\$24,817,698</u>

(1) See the Schedule of Investments for industry classifications.

The Fund did not hold any investments during the year ended August 31, 2018 with significant unobservable inputs that would be classified as Level 3.

(b) *Federal Income Taxes*

The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to make the requisite distributions of income and capital gains to its shareholders sufficient to relieve it from all or substantially all federal income taxes. Therefore, no federal income tax provision has been provided.

As of and during the year ended August 31, 2018, the Fund did not have a liability for any unrecognized tax benefits. The Fund recognizes interest and penalties, if any, related to uncertain tax benefits as income tax expense in the Statement of Operations. During the year ended August 31, 2018, the Fund did not incur any interest or penalties. The Fund is not subject to examination by U.S. taxing authorities for the tax periods prior to the year ended August 31, 2015.

(c) *Distributions to Shareholders*

The Fund will distribute any net investment income and any net realized long-term or short-term capital gains at least annually. Distributions from net realized gains for book purposes may include short-term capital gains. All short-term capital gains are included in ordinary income for tax purposes. Distributions to shareholders are recorded on the ex-dividend date. The Fund may also pay a special distribution at the end of the calendar year to comply with federal tax requirements.

(d) *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) *Share Valuation*

The NAV per share of the Fund is calculated by dividing the sum of the value of the securities held by the Fund, plus cash or other assets, minus all liabilities (including estimated accrued expenses) by the total number of shares outstanding for the Fund, rounded to the nearest cent. The Fund's shares will not be priced on the days on which the New York Stock Exchange ("NYSE") is closed for trading. The Fund charges a 2.00% redemption fee on shares redeemed within ninety days of purchase. These fees are deducted from the redemption proceeds otherwise payable to the

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Notes to Financial Statements (Continued)

August 31, 2018

shareholder. The Fund will retain the fee charged as an increase in paid-in capital and such fees become part of the Fund's daily NAV calculation. The Fund did not collect any redemption fees during the year ended August 31, 2018.

(f) *Expenses*

Expenses associated with a specific fund in the Trust are charged to that fund. Common expenses are typically allocated evenly between the funds of the Trust, or by other equitable means.

(g) *Other*

Investment transactions are recorded on the trade date. The Fund determines the gain or loss from investment transactions using the first in – first out "FIFO" method by comparing the original cost of the security lot sold with the net sale proceeds. Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis.

(3) Federal Tax Matters

The tax character of distributions paid during the years ended August 31, 2018 and August 31, 2017 were as follows:

	<u>August 31, 2018</u>	<u>August 31, 2017</u>
Ordinary Income	\$23,030	\$64,096

As of August 31, 2018, the components of accumulated earnings on a tax basis were as follows:

Cost basis of investments for federal income tax purposes	<u>\$19,800,187</u>
Gross tax unrealized appreciation	6,827,129
Gross tax unrealized depreciation	(1,809,618)
Net tax unrealized appreciation	<u>\$ 5,017,511</u>
Undistributed ordinary income	58,986
Undistributed long-term capital gain	—
Total distributable earnings	<u>\$ 58,986</u>
Other accumulated loss	<u>(3,609,172)</u>
Total accumulated gain	<u>\$ 1,467,325</u>

The tax basis of investments for tax and financial reporting purposes differs principally due to the deferral of losses on wash sales.

At August 31, 2018, the Fund had the following short-term and long-term capital losses remaining, which will be carried forward indefinitely to offset future realized capital gains. To the extent the Fund realizes future net capital gains, taxable distributions to its shareholders will be first offset by any unused capital loss carryovers from the year ended August 31, 2018.

Short-Term	\$2,487,698
Long-Term	<u>1,121,474</u>
	<u>\$3,609,172</u>

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Notes to Financial Statements (Continued)

August 31, 2018

The Fund utilized capital losses for the year ended August 31, 2018.

Short-Term	\$ 1,934
Long-Term	<u>876,355</u>
	<u>\$878,289</u>

GAAP requires that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. For the year ended August 31, 2018, no such classifications were required.

(4) Investment Adviser

The Trust has an Investment Advisory Agreement (the "Agreement") with the Adviser to furnish investment advisory services to the Fund. Under the terms of the Agreement, the Fund compensates the Adviser for its management services at the annual rate of 1.10% of the Fund's average daily net assets.

The Adviser has contractually agreed to waive its management fee and/or reimburse the Fund's other expenses at least through December 29, 2019, at the discretion of the Adviser and the Board of Trustees, to the extent necessary to ensure that the Fund's total operating expenses (exclusive of front-end or contingent deferred sales loads, Rule 12b-1 plan fees, shareholder servicing plan fees, taxes, leverage (i.e., any expenses incurred in connection with borrowings by the Fund), interest (including interest incurred in connection with bank and custody overdrafts), brokerage commission and other transactional expenses, expenses incurred in connection with any merger or reorganization, dividends or interest on short positions, acquired fund fees and expenses and extraordinary expenses such as litigation do not exceed 1.30% of the Fund's average daily net assets (the "Expense Limitation Cap"). For the year ended August 31, 2018, expenses of \$142,827 were waived or reimbursed by the Adviser. Any such waiver or reimbursement is subject to later adjustment to allow the Adviser to recoup amounts waived or reimbursed up to three years from the date such amount was waived or reimbursed, subject to the operating expense limitation agreement, if such reimbursements will not cause the Fund to exceed the lesser of: (1) the expense limitation in place at the time of the waiver; or (2) the expense limitation in place at the time of the recoupment.

The following table shows the remaining waived or reimbursed expenses subject to potential recovery expiring by:

August 31, 2019	\$156,656
August 31, 2020	\$145,954
August 31, 2021	\$142,827

(5) Related Party Transactions

U.S. Bancorp Fund Services, LLC (doing business as U.S. Bank Global Fund Services ("Fund Services")) acts as the Fund's Administrator under an Administration Agreement. Fund Services prepares various federal and state regulatory filings,

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Notes to Financial Statements (Continued)

August 31, 2018

reports and returns for the Fund; prepares reports and materials to be supplied to the Trustees; monitors the activities of the Fund's custodian, transfer agent and accountants; coordinates the preparation and payment of the Fund's expenses; and reviews the Fund's expense accruals. Fund Services also serves as the fund accountant and transfer agent to the Fund. U.S. Bank, N.A. ("US Bank"), an affiliate of Fund Services, serves as the Fund's custodian. Fees and expenses incurred for the year ended August 31, 2018, and owed as of August 31, 2018 are as follows:

	<u>Incurred</u>	<u>Owed</u>
Administration	\$42,104	\$7,049
Accounting	\$29,195	\$4,907
Transfer Agency	\$29,837	\$5,048
Custody	\$ 5,907	\$1,028

Quasar Distributors, LLC (the "Distributor") acts as the Fund's principal underwriter in a continuous public offering of the Fund's shares. The Distributor is an affiliate of Fund Services and US Bank.

Certain officers of the Fund are also employees of Fund Services. A Trustee of the Trust is affiliated with Fund Services and US Bank. This same Trustee is a board member and an interested person of the Distributor.

The Fund also has a line of credit with US Bank (see Note 9).

The Trust's Chief Compliance Officer is also an employee of Fund Services. For the year ended August 31, 2018, the Fund was allocated \$8,012 of the Trust's Chief Compliance Officer fees. As of August 31, 2018, fees of \$1,341 were owed by the Fund to Fund Services for Chief Compliance Officer services.

(6) Capital Share Transactions

Transactions in shares of the Fund were as follows:

	<u>Year Ended</u> <u>August 31, 2018</u>	<u>Year Ended</u> <u>August 31, 2017</u>
Shares sold	175,567	373,110
Shares redeemed	(228,337)	(288,927)
Shares reinvested	188	668
Net increase (decrease)	<u>(52,582)</u>	<u>84,851</u>

(7) Investment Transactions

The aggregate purchases and sales of securities, excluding short-term investments, for the Fund for the year ended August 31, 2018, were \$3,166,702 and \$3,977,328, respectively. There were no purchases or sales of U.S. government securities for the Fund.

(8) Beneficial Ownership

The beneficial ownership, either directly or indirectly, of more than 25% of the voting securities of a fund creates a presumption of control of the fund, under Section 2(a)(9)

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Notes to Financial Statements (Continued)

August 31, 2018

of the 1940 Act. US Bank, custodian for the fund, and the Distributor, are wholly owned subsidiaries of U.S. Bancorp. Fund Services provides transfer agency, fund accounting and fund administration services to the Fund and is a subsidiary of U.S. Bancorp. US Bank, for the benefit of its customers, holds more than 25% of the Fund's outstanding shares, 77.16%, therefore, these entities are all considered affiliates of the Fund.

(9) Line of Credit

At August 31, 2018, the Fund had a line of credit in the amount of the lesser of \$2,500,000 or 33.33% of the fair value of unencumbered assets of the Fund, as defined, which matures on August 9, 2019. This unsecured line of credit is intended to provide short-term financing, if necessary, subject to certain restrictions, in connection with shareholder redemptions. Interest was accrued at the prime rate of 4.25% from September 1, 2017 through December 13, 2017, 4.50% from December 14, 2017 through March 21, 2018, 4.75% from March 22, 2018 through June 13, 2018, and 5.00% thereafter. The credit facility is with the Fund's custodian, US Bank. During the year ended August 31, 2018, the Fund had borrowings on the line of credit on two days, with an average borrowing and interest rate on those days of \$179,500 and 4.50%, respectively. Interest expense of \$45 incurred during the period is included within other expenses on the Statement of Operations. The balance as of January 16, 2018 of \$180,000 was the maximum amount of borrowings outstanding during the year ended August 31, 2018. As of August 31, 2018, the Fund did not have any borrowings on the line of credit outstanding.

(10) Subsequent Events

The Fund has evaluated events and transactions that have occurred subsequent to August 31, 2018 and determined there were no subsequent events that would require recognition or disclosure in financial statements.

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Report of Independent Registered Public Accounting Firm

To the Shareholders of Morgan Dempsey Small/Micro Cap Value Fund and
Board of Trustees of Trust for Professional Managers

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Morgan Dempsey Small/Micro Cap Value Fund (the "Fund"), a series of Trust for Professional Managers, as of August 31, 2018, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, including the related notes, and the financial highlights for each of the five years in the period then ended. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of August 31, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits include performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and confirmation of securities owned as of August 31, 2018, by correspondence with the custodian. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Fund's auditor since 2011.



COHEN & COMPANY, LTD.
Cleveland, Ohio
October 29, 2018

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Basis for Trustees' Approval of Investment Advisory Agreement

(Unaudited)

The Board of Trustees (the "Trustees") of Trust for Professional Managers (the "Trust") met on August 20, 2018 to consider the renewal of the Investment Advisory Agreement (the "Agreement") between the Trust, on behalf of the Morgan Dempsey Small/Micro Cap Value Fund (the "Fund"), a series of the Trust, and Morgan Dempsey Capital Management, LLC, the Fund's investment adviser (the "Adviser"). The Trustees also met at a prior meeting held on June 25, 2018 (the "June 25, 2018 meeting") to review materials related to the renewal of the Agreement. Prior to these meetings, the Trustees requested and received materials to assist them in considering the renewal of the Agreement. The materials provided contained information with respect to the factors enumerated below, including a copy of the Agreement, a memorandum prepared by the Trust's outside legal counsel discussing in detail the Trustees' fiduciary obligations and the factors they should assess in considering the renewal of the Agreement, detailed comparative information relating to the Fund's performance, as well as the management fees and other expenses of the Fund, due diligence materials relating to the Adviser (including a due diligence questionnaire completed on behalf of the Fund by the Adviser, the Adviser's Form ADV, select financial statements of the Adviser, bibliographic information of the Adviser's key management and compliance personnel, comparative fee information for the Fund and the Adviser's other separately-managed accounts and a summary detailing key provisions of the Adviser's written compliance program, including its code of ethics) and other pertinent information. The Trustees also received information periodically throughout the year that was relevant to the Agreement renewal process, including performance, management fee and other expense information. Based on their evaluation of the information provided by the Adviser, in conjunction with the Fund's other service providers, the Trustees, by a unanimous vote (including a separate vote of the Trustees who are not "interested persons," as that term is defined in the Investment Company Act of 1940, as amended (the "Independent Trustees")), approved the continuation of the Agreement for an additional one-year term ending August 31, 2019.

DISCUSSION OF FACTORS CONSIDERED

In considering the renewal of the Agreement and reaching their conclusions, the Trustees reviewed and analyzed various factors that they determined were relevant, including the factors enumerated below.

1. NATURE, EXTENT AND QUALITY OF SERVICES PROVIDED TO THE FUND

The Trustees considered the nature, extent and quality of services provided by the Adviser to the Fund and the amount of time devoted to the Fund's affairs by the Adviser's staff. The Trustees considered the Adviser's specific responsibilities in all aspects of day-to-day management of the Fund, as well as the qualifications, experience and responsibilities of Brian Rafn, the Fund's portfolio manager, and other key personnel at the Adviser involved in the day-to-day activities of the Fund. The Trustees reviewed information provided by the Adviser in a due diligence summary, including the structure of the Adviser's compliance program and discussed the Adviser's marketing activity and its continuing commitment to the Fund. The Trustees noted that during the course of the prior year they had met with the Adviser in person to discuss various performance, marketing and compliance issues. The Trustees also

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Basis for Trustees' Approval of Investment Advisory Agreement

(Continued) (Unaudited)

noted any services that extended beyond portfolio management, and they considered the brokerage practices of the Adviser. The Trustees discussed in detail the Adviser's handling of compliance matters, including the reports of the Trust's chief compliance officer to the Trustees on the effectiveness of the Adviser's compliance program. The Trustees concluded that the Adviser had sufficient quality and depth of personnel, resources, investment methods and compliance policies and procedures essential to performing its duties under the Agreement and that the nature, overall quality and extent of the management services provided to the Fund, as well as the Adviser's compliance program, were satisfactory and reliable.

2. INVESTMENT PERFORMANCE OF THE FUND AND THE ADVISER

The Trustees discussed the performance of the Fund for the year-to-date, one-year, three-year and five-year periods ended April 30, 2018. In assessing the quality of the portfolio management services delivered by the Adviser, the Trustees also compared the short-term and longer-term performance of the Fund on both an absolute basis and in comparison to the Fund's benchmark index, the Russell 2000 Value Index, and in comparison to a peer group of U.S. open-end small blend funds in the Fund's current Morningstar category as constructed by data presented by Morningstar Direct (the "Morningstar Peer Group"). The Trustees also reviewed information on the historical performance of other separately-managed accounts of the Adviser that are similar to the Fund in terms of investment strategy.

The Trustees noted that the Fund's performance for one-year and three-year periods ended April 30, 2018 was above the Morningstar Peer Group median. The Trustees also noted that the Fund's performance for each of the year-to-date and five-year periods ended April 30, 2018 was below the Morningstar Peer Group median. The Trustees further noted that for the one-year period ended March 31, 2018, the Fund outperformed the Russell 2000 Value Index, but that for the year-to-date, three-year, five-year and since inception periods ended March 31, 2018, the Fund lagged the Russell 2000 Value Index. The Trustees also noted that the Fund's performance was generally in alignment with the performance of other separately managed accounts managed by the Adviser for the year-to-date, one-year, three-year and five-year periods ended March 31, 2018.

After considering all of the information, the Trustees concluded that the performance obtained by the Adviser for the Fund was satisfactory under current market conditions. Although past performance is not a guarantee or indication of future results, the Trustees determined that the Fund and its shareholders were likely to benefit from the Adviser's continued management.

3. COSTS OF SERVICES PROVIDED AND PROFITS REALIZED BY THE ADVISER

The Trustees considered the cost of services and the structure of the Adviser's fees, including a review of the expense analyses and other pertinent material with respect to the Fund. The Trustees reviewed the related statistical information and other materials provided, including the comparative expenses, expense components and peer group selections. The Trustees considered the cost structure of the Fund relative to the

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Basis for Trustees' Approval of Investment Advisory Agreement

(Continued) (Unaudited)

Morningstar Peer Group and the Adviser's separately-managed accounts, as well as the fee waivers and expense reimbursements provided by the Adviser.

The Trustees also considered the overall profitability of the Adviser, reviewing the Adviser's financial information and noted that the Adviser had subsidized the Fund's operations following the Fund's inception and had not yet recouped those subsidies. The Trustees also examined the level of profits that could be expected to accrue to the Adviser from the fees payable under the Agreement, as well as the Fund's brokerage arrangements, noting that the Adviser makes no effort to seek soft dollar arrangements. These considerations were based on materials requested by the Trustees and the Fund's administrator specifically for the June 25, 2018 meeting and the August 20, 2018 meeting at which the Agreement was formally considered, as well as the reports made by the Adviser over the course of the year.

The Trustees noted that the Fund's contractual management fee of 1.10% ranked above the Morningstar Peer Group average of 0.87%. The Trustees observed that the Fund's total expense ratio (net of fee waivers and expense reimbursements) of 1.30% was above the Morningstar Peer Group average (which excludes Rule 12b-1 fees) of 1.16%. The Trustees also compared the fees paid by the Fund to the fees paid by other separately-managed accounts of the Adviser that were similar to the Fund in terms of investment discipline.

The Trustees concluded that the Fund's expenses and the management fees paid to the Adviser were fair and reasonable in light of the comparative performance, expense and management fee information. The Trustees noted, based on a profitability analysis prepared by the Adviser, that the Fund was not profitable to the Adviser and that the Adviser had maintained adequate profit levels to support its services to the Fund from the revenues of its overall investment advisory business, despite subsidizing the Fund's operations.

4. EXTENT OF ECONOMIES OF SCALE AS THE FUND GROWS

The Trustees compared the Fund's expenses relative to the Morningstar Peer Group and discussed realized and potential economies of scale. The Trustees also reviewed the structure of the Fund's management fee and whether the Fund was large enough to generate economies of scale for shareholders or whether economies of scale would be expected to be realized as Fund assets grow (and if so, how those economies of scale were being or would be shared with shareholders). The Trustees noted that the Fund's management fee structure did not contain any breakpoint reductions as the Fund's assets grow in size, but that the feasibility of incorporating breakpoints would continue to be reviewed on a regular basis. With respect to the Adviser's fee structure and any applicable expense waivers, the Trustees concluded that the current fee structure was reasonable and reflects a sharing of economies of scale between the Adviser and the Fund at the Fund's current asset level.

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND
Basis for Trustees' Approval of Investment Advisory Agreement
(Continued) (Unaudited)

5. BENEFITS DERIVED FROM THE RELATIONSHIP WITH THE FUND

The Trustees considered the direct and indirect benefits that could be realized by the Adviser from its association with the Fund. The Trustees examined the brokerage and commissions of the Adviser with respect to the Fund, noting that the Adviser receives no soft dollar benefits from its relationship with the Fund. The Trustees concluded that the benefits the Adviser may receive, such as greater name recognition or greater exposure to press coverage appear to be reasonable, and in many cases may benefit the Fund.

CONCLUSIONS

The Trustees considered all of the foregoing factors. In considering the renewal of the Advisory Agreement, the Trustees did not identify any one factor as all-important, but rather considered these factors collectively in light of the Fund's surrounding circumstances. Based on this review, the Trustees, including a majority of the Independent Trustees, approved the continuation of the Advisory Agreement for an additional term ending August 31, 2019 as being in the best interests of the Fund and its shareholders.

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Notice of Privacy Policy & Practices

We collect non-public personal information about you from the following sources:

- information we receive about you on applications or other forms;
- information you give us orally; and
- information about your transactions with us or others.

We do not disclose any non-public personal information about our shareholders or former shareholders without the shareholder's authorization, except as permitted by law or in response to inquiries from governmental authorities. We may share information with affiliated parties and unaffiliated third parties with whom we have contracts for servicing the Fund. We will provide unaffiliated third parties with only the information necessary to carry out their assigned responsibility. All shareholder records will be disposed of in accordance with applicable law. We maintain physical, electronic and procedural safeguards to protect your non-public personal information and require third parties to treat your non-public personal information with the same high degree of confidentiality.

In the event that you hold shares of the Fund through a financial intermediary, including, but not limited to, a broker-dealer, bank or trust company, the privacy policy of your financial intermediary would govern how your non-public personal information would be shared with unaffiliated third parties.

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Additional Information

(Unaudited)

Tax Information

The Fund designated 100% of its ordinary income distribution for the year ended August 31, 2018, as qualified dividend income under the Jobs and Growth Tax Relief Reconciliation Act of 2003.

For the year ended August 31, 2018, 100% of dividends paid from net ordinary income qualified for the dividends received deduction available to corporate shareholders.

Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, in the normal course of business, the Fund enters into contracts that provide general indemnifications to other parties. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

Information about Trustees

The business and affairs of the Trust are managed under the direction of the Board of Trustees. Information pertaining to the Trustees of the Trust is set forth below. The Statement of Additional Information includes additional information about the Trustees and is available, without charge, upon request by calling 877-642-7227.

<u>Name, Address and Year of Birth</u>	<u>Position(s) Held with the Trust</u>	<u>Term of Office and Length of Time Served</u>	<u>Number of Portfolios Overseen by Trustee</u>	<u>Principal Occupation(s) During the Past Five Years</u>	<u>Other Directorships Held by Trustee During the Past Five Years</u>
Independent Trustees					
Michael D. Akers, Ph.D. 615 E. Michigan St. Milwaukee, WI 53202 Year of Birth: 1955	Trustee	Indefinite Term; Since August 22, 2001	30	Professor, Department of Accounting, Marquette University (2004–present); Chair, Department of Accounting, Marquette University (2004–2017).	Independent Trustee, USA MUTUALS (an open-end investment company with three portfolios).
Gary A. Drska 615 E. Michigan St. Milwaukee, WI 53202 Year of Birth: 1956	Trustee	Indefinite Term; Since August 22, 2001	30	Pilot, Frontier/Midwest Airlines, Inc. (airline company) (1986–present).	Independent Trustee, USA MUTUALS (an open-end investment company with three portfolios).

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Additional Information (Continued)

(Unaudited)

<u>Name, Address and Year of Birth</u>	<u>Position(s) Held with the Trust</u>	<u>Term of Office and Length of Time Served</u>	<u>Number of Portfolios in Trust Overseen by Trustee</u>	<u>Principal Occupation(s) During the Past Five Years</u>	<u>Other Directorships Held by Trustee During the Past Five Years</u>
Jonas B. Siegel 615 E. Michigan St. Milwaukee, WI 53202 Year of Birth: 1943	Trustee	Indefinite Term; Since October 23, 2009	30	Retired (2011–present); Managing Director, Chief Administrative Officer (“CAO”) and Chief Compliance Officer (“CCO”), Granite Capital International Group, L.P. (an investment management firm) (1994–2011).	Independent Trustee, Gottex Trust (an open-end investment company) (2010–2016); Independent Manager, Ramius IDF fund complex (two closed-end investment companies) (2010–2015); Independent Trustee, Gottex Multi-Asset Endowment fund complex (three closed-end investment companies) (2010–2015); Independent Trustee, Gottex Multi-Alternatives fund complex (three closed-end investment companies) (2010–2015).

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Additional Information (Continued)

(Unaudited)

<u>Name, Address and Year of Birth</u>	<u>Position(s) Held with the Trust</u>	<u>Term of Office and Length of Time Served</u>	<u>Number of Portfolios in Trust Overseen by Trustee</u>	<u>Principal Occupation(s) During the Past Five Years</u>	<u>Other Directorships Held by Trustee During the Past Five Years</u>
Interested Trustee and Officers					
Joseph C. Neuberger* 615 E. Michigan St. Milwaukee, WI 53202 Year of Birth: 1962	Chairperson and Trustee	Indefinite Term; Since August 22, 2001	30	President (2017–present); Chief Operating Officer (2016– present); Executive Vice President, U.S. Bancorp Fund Services, LLC (1994–2017).	USA MUTUALS (an open-end investment company) (2001–2018); Trustee, Buffalo Funds (an open-end investment company) (2003–2017).
John P. Buckel 615 E. Michigan St. Milwaukee, WI 53202 Year of Birth: 1957	President and Principal Executive Officer	Indefinite Term; Since January 24, 2013	N/A	Vice President, U.S. Bancorp Fund Services, LLC (2004–present).	N/A
Jennifer A. Lima 615 E. Michigan St. Milwaukee, WI 53202 Year of Birth: 1974	Vice President, Treasurer and Principal Financial and Accounting Officer	Indefinite Term; Since January 24, 2013	N/A	Vice President, U.S. Bancorp Fund Services, LLC (2002–present).	N/A

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND
Additional Information (Continued)

(Unaudited)

Name, Address and Year of Birth	Position(s) Held with the Trust	Term of Office and Length of Time Served	Number of Portfolios in Trust Overseen by Trustee	Principal Occupation(s) During the Past Five Years	Other Directorships Held by Trustee During the Past Five Years
Elizabeth B. Scaif 615 E. Michigan St. Milwaukee, WI 53202 Year of Birth: 1985	Chief Compliance Officer, Vice President and Anti-Money Laundering Officer	Indefinite Term; Effective July 1, 2017	N/A	Senior Vice President, U.S. Bancorp Fund Services, LLC (February 2017–present); Vice President and Assistant CCO, Heartland Advisors, Inc. (December 2016–January 2017); Vice President and CCO, Heartland Group, Inc. (May 2016–November 2016); Vice President, s CCO and Senior Legal Counsel (May 2016–November 2016), Assistant CCO and Senior Legal Counsel (January 2016–April 2016), Senior Legal and Compliance Counsel (2013–2015), Heartland Advisors, Inc.	N/A
Adam W. Smith 615 E. Michigan St. Milwaukee, WI 53202 Year of Birth: 1981	Secretary	Indefinite Term; Since May 29, 2015	N/A	Vice President, U.S. Bancorp Fund Services, LLC (2012–present).	N/A
Cullen O. Small 615 E. Michigan St. Milwaukee, WI 53202 Year of Birth: 1987	Assistant Treasurer	Indefinite Term; Since January 22, 2015	N/A	Assistant Vice President, U.S. Bancorp Fund Services, LLC (2010–present).	N/A

MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Additional Information (Continued)

(Unaudited)

<u>Name, Address and Year of Birth</u>	<u>Position(s) Held with the Trust</u>	<u>Term of Office and Length of Time Served</u>	<u>Number of Portfolios in Trust Overseen by Trustee</u>	<u>Principal Occupation(s) During the Past Five Years</u>	<u>Other Directorships Held by Trustee During the Past Five Years</u>
Kelly A. Burns 615 E. Michigan St. Milwaukee, WI 53202 Year of Birth: 1987	Assistant Treasurer	Indefinite Term; Since April 23, 2015	N/A	Assistant Vice President, U.S. Bancorp Fund Services, LLC (2011–present).	N/A
Melissa Aguinaga 615 E. Michigan St. Milwaukee, WI 53202 Year of Birth: 1987	Assistant Treasurer	Indefinite Term; Since July 1, 2015	N/A	Assistant Vice President, U.S. Bancorp Fund Services, LLC (2010–present).	N/A
Laura A. Carroll 615 E. Michigan St. Milwaukee, WI 53202 Year of Birth: 1985	Assistant Treasurer	Indefinite Term; Since August 20, 2018	N/A	Assistant Vice President, U.S. Bancorp Fund Services, LLC (2007–present).	N/A

* Mr. Neuberger is an “interested person” of the Trust as defined by the 1940 Act by virtue of the fact that he is a board member and an interested person of Quasar Distributors, LLC (the “Distributor”), the Fund’s principal underwriter.

A NOTE ON FORWARD LOOKING STATEMENTS (Unaudited)

Except for historical information contained in this report for the Fund, the matters discussed in this report may constitute forward-looking statements made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. These include any adviser or portfolio manager predictions, assessments, analyses or outlooks for individual securities, industries, market sectors and/or markets. These statements involve risks and uncertainties. In addition to the general risks described for the Fund in the current Prospectus, other factors bearing on this report include the accuracy of the Adviser's or portfolio managers' forecasts and predictions, and the appropriateness of the investment programs designed by the Adviser or portfolio managers to implement their strategies efficiently and effectively. Any one or more of these factors, as well as other risks affecting the securities markets and investment instruments generally, could cause the actual results of the Fund to differ materially as compared to benchmarks associated with the Fund.

ADDITIONAL INFORMATION (Unaudited)

The Fund has adopted proxy voting policies and procedures that delegate to the Adviser the authority to vote proxies. A description of the Fund's proxy voting policies and procedures is available without charge, upon request, by calling the Fund toll free at 1-877-642-7227. A description of these policies and procedures is also included in the Fund's Statement of Additional Information, which is available on the SEC's website at <http://www.sec.gov>.

The Fund's proxy voting record for the most recent 12 month period ended June 30th is available without charge, upon request, by calling, toll free, 1-877-642-7227, or by accessing the SEC's website at <http://www.sec.gov>.

The Fund files its complete schedule of portfolio holdings with the SEC four times each fiscal year at quarter-ends. The Fund files the complete schedule of portfolio holdings with the SEC on Form N-CSR (second and fourth quarters) and on Form N-Q (first and third quarters). Shareholders may view the Fund's Forms N-CSR and N-Q on the SEC's website at www.sec.gov. Forms N-CSR and N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330 (general SEC number).

HOUSEHOLDING (Unaudited)

In an effort to decrease costs, the Fund intends to reduce the number of duplicate prospectuses and annual and semi-annual reports you receive by sending only one copy of each to those addresses shared by two or more accounts and to shareholders the Fund reasonably believes are from the same family or household. Once implemented, if you would like to discontinue householding for your accounts, please call toll-free at 1-877-642-7227 to request individual copies of these documents. Once the Fund receives notice to stop householding, the Fund will begin sending individual copies 30 days after receiving your request. This policy does not apply to account statements.

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MORGAN DEMPSEY SMALL/MICRO CAP VALUE FUND

Investment Adviser	Morgan Dempsey Capital Management, LLC 111 Heritage Reserve Suite 200 Menomonee Falls, Wisconsin 53051
Legal Counsel	Godfrey & Kahn, S.C. 833 East Michigan Street, Suite 1800 Milwaukee, Wisconsin 53202
Independent Registered Public Accounting Firm	Cohen & Company, Ltd. 1350 Euclid Avenue Suite 800 Cleveland, Ohio 44115
Transfer Agent, Fund Accountant and Fund Administrator	U.S. Bancorp Fund Services, LLC 615 East Michigan Street Milwaukee, Wisconsin 53202
Custodian	U.S. Bank, N.A. Custody Operations 1555 North River Center Drive Milwaukee, Wisconsin 53212
Distributor	Quasar Distributors, LLC 777 East Wisconsin Avenue Milwaukee, Wisconsin 53202

This report is intended for shareholders of the Fund and may not be used as sales literature unless preceded or accompanied by a current prospectus.