



K E E L E Y
Funds

The performance reflected herein is for the Class A shares without load.

"Without load" does not reflect the deduction of the maximum 4.50% sales fee (load), which reduces the performance quoted. Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current to most recent month-end performance data may be obtained at www.KeeleyFunds.com

This summary represents the views of the portfolio managers as of 12/31/16. Those views may change, and the Fund disclaims any obligation to advise investors of such changes. For the purpose of determining the Fund's holdings, securities of the same issuer are aggregated to determine the weight in the Fund. Portfolio holdings are subject to change without notice and are not intended as recommendations of individual securities.

***The Fund's Inception date is October 1, 1993.**

Risks: Smaller and medium-sized company stocks are more volatile and less liquid than larger, more established company securities.

Prior to investing, investors should carefully consider the Fund's investment objective, risks, charges and expenses as detailed in the prospectus and summary prospectus. To obtain a prospectus or a summary prospectus, call us at 800.533.5344 or visit www.keeleyfunds.com. The prospectus/summary prospectus should be read carefully before investing.

Small Cap Value Fund

Fourth Quarter 2016 Commentary

The market entered the final quarter of a bullish 2016 with some trepidation. Stock market implications surrounding the U.S. presidential election and the Federal Reserve's (Fed) interest rate hike raised investor caution. But the uncertainty was quickly dismissed and a risk-on rally ensued post the Trump victory. U.S. equity markets finished the year strong, with the S&P 500 Index gaining 12.0% for the year and 3.8% for the quarter. Small cap stocks were especially strong, and value outperformed growth across all market caps. Among U.S. equities, the leading Russell 2000 Value Index gained 31.7% for the year, rising 14.1% in the fourth quarter. Midcap value stocks also finished the year in bullish fashion with the Russell Mid Cap Value Index closing the year up 20% and the quarter up 5.5%.

Energy and Financials were particularly strong in the fourth quarter. The Energy sector continued to rebound from last year's plummeting oil prices as crude gained 11.4% in the fourth quarter (up 45% for the year) following OPEC's decision to cut production. The Fed's interest rate hike had a positive effect on Financials this quarter, though rising interest rates may pose challenges for high dividend yielding stocks in Telecom, Utilities, and Consumer Staples sectors. Given the uncertainty surrounding the Affordable Care Act (Obamacare) and potential reforms by the new administration, Health Care stocks struggled in the fourth quarter. In our view, the U.S. economy looks relatively healthy – GDP gained 3.5 percent in the third quarter (its best quarterly change in two years), and the unemployment rate closed 2016 at 4.7%. We are also encouraged by generally positive earnings growth and believe that companies should see positive growth and revenues in 2017.

For the fourth quarter of 2016, the Keeley Small Cap Value Fund underperformed the Russell 2000 Value Index, gaining 8.96% versus 14.07%. Over the course of the quarter, the bulk of the Fund's relative underperformance came from meaningful sector weight differences, and secondarily from stock selection. The Fund's significant overweight in the lagging Consumer Discretionary sector, as well as weak stock selection, was the leading detractor. In addition, the Fund had difficulty in keeping pace with a strong Technology sector both in the fourth quarter as well as the rest of the year. Within the benchmark, Technology was one of the leading performers, rising just over 39% and placing second only to Materials, which gained over 68% on the year.

The Fund benefited from its exposure in Consumer Staples, both in terms of sector allocation and stock selection; making it the Fund's leading sector for the fourth quarter. In the space, the Fund's only position (Flower's Foods, Inc. (FLO)) rebounded from a rough third quarter, gaining over 28%.

The Fund also experienced positive stock selection in Financials, however, the significant underweight versus the Russell 2000 Value Index hurt relative performance during the quarter. Separately, the Fund was also hurt by weak stock selection in Industrials, Materials, and Energy as well as an overweight in Real Estate.

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Fourth Quarter 2016 Commentary

Given the strength in Financials this quarter, it is not surprising that the Fund's top three performing stocks came from the sector: Hilltop Holdings (HTH), UMB Financial Corporation (UMBF) and Provident Financial Services (PFS). All three companies would be beneficiaries of higher interest rates, a lower corporate tax rate, and less regulation. In addition, Hilltop has announced it is shopping its Insurance business to increase its focus on its core banking operations while UMB continues to streamline costs at its banking operations.

As mentioned, performance in the Consumer Discretionary sector was a leading detractor this quarter. From a holdings perspective, the Fund's leading detractor was TRI Pointe Group (TPH) which was impacted by the fear that rising rates would hurt home sales. Another leading detractor was Kennedy-Wilson Holdings (KW) that despite beating expectations for its third quarter report, was similarly impacted by macro concerns on higher interest rates on its real estate operations. Kaiser Aluminum Corporation (KALU) also had a difficult quarter. The company missed third quarter earnings expectations due to inventory destocking at its aerospace customers as well as the timing gap between the completion of one large auto bumper program and the start of another.

Over the course of 2016, we noticed a lot of mean reversion tendencies within the Fund. Sectors or stocks that had a rough month or quarter rebounded the following quarter, or vice versa. Similar behavior occurred between growth and value stocks as well as large caps versus small caps. We believe this type of activity is likely to persist in 2017, especially as markets grapple with the uncertainty of a Trump administration. Rising interest rates should benefit Financials, yet Health Care will likely be volatile given the uncertainty surrounding Obamacare. Looking forward, we are excited about the prospects for more corporate changes in the small cap value space.

Though we are disappointed by the Fund's relative underperformance this quarter, we are encouraged by the amount of performance dispersion that took shape. Within the Russell 2000 Value Index, the worst-performing sector was Health Care, declining -1.7%, while the top performing sector was Financials, up 24%. We believe this dispersion is highly advantageous for active stock pickers, particularly when it comes to the inefficiencies in the small and mid cap value segments. In addition, when markets shun or avoid particular stocks due to the lack of readily available information, we believe in our investment process to identify those names that are undergoing some form of transformation. These transformations include ownership changes (spin-offs, divestitures, de-mutualizations), operating changes (new management, cost cutting, M&A) and capital restructurings (emergence from bankruptcy, refinancing, capital reallocation). We also look forward to taking advantage of shifts in the marketplace, including regulatory changes and industry consolidation.

As always, thank you for your support of the Keeley Small Cap Value Fund.

Small Cap Value Fund

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The Fund's adviser has contractually agreed to waive a portion of its management fee or reimburse the Fund if total ordinary operating expenses during the current fiscal year as a percentage of the Fund's average net assets exceed 1.39% for Class A Shares and 1.14% for Class I Shares. The waiver excludes expenses related to taxes, interest charges, dividend expenses incurred on securities that a Fund sells short, litigation and other extraordinary expenses, brokerage commissions and other charges relating to the purchase and sale of portfolio securities. The waiver is in effect through January 31, 2017 and neither the Fund's adviser nor the Fund can discontinue the agreement prior to its expiration. **The expense ratios presented herein are for the Class A shares.

AVERAGE ANNUAL TOTAL RETURNS (as of 12/31/2016)

| | KSCVX <u>No Load</u> | KSCVX <u>Load</u> | Russell 2000 | Russell 2000 Value |
|-------------------------------|-------------------------|----------------------|---|--------------------|
| 1 Year | 18.94% | 13.60% | 21.31% | 31.74% |
| 5 Year | 11.92% | 10.89% | 14.46% | 15.07% |
| 10 Year | 4.81% | 4.33% | 7.07% | 6.26% |
| Since Inception** | 11.11% | 10.89% | 8.96% | 10.33% |
| Expense Ratio (Gross & Net)** | 1.36% | | **Although the Fund is subject to the waiver reimbursement agreement none has been made | |

Stocks of smaller cap companies tend to be more volatile and less liquid than those of large cap companies.

Performance attribution is commonly used to measure the quality of the separate decisions that go into the management of an investment portfolio compared to a benchmark index. This analysis tries to isolate the effect and measure the return contribution of market allocation, which analyzes the positive/negative impact of a portfolio's allocation to groupings such as geographic regions or market sectors, and stock selection, which analyzes the positive/negative impact of the portfolio manager's security ownership and weighting decisions within a wider grouping. The performance attribution data in this quarterly commentary was prepared by Keeley Asset Management Corp. ("KAMCO") using the following constraints: (1) Fund portfolio holdings are as of the beginning of each day; index constituents are as of the end of the day. That means that the Fund's holdings are not included until the day after acquisition (when it is included in the portfolio as of the beginning of the next business day), and a portfolio holding that is sold is included in the analysis through the end of the day on which it is sold, and that the values at which securities are included in the analysis are the values as of the beginning of the day. For the index, securities are included at their values at the end of the day. (2) The securities' values used in the analysis are the prices used by KAMCO in its internal records for the Fund and the prices used by the index provider for the benchmark index. If a price from either of those sources is unavailable, pricing information from FactSet is used. Pricing information from the index provider or from FactSet may differ from the pricing information used by KAMCO. (3) Sector and/or industry classifications may change over time. The attribution information provided in this commentary includes summaries of attribution by market sector. Attribution is not precise and should be considered to be an approximation of the relative contribution of each of the sectors considered. The information on performance by sector reflects the aggregated gross return of the Fund's securities. Contributions to the Fund's performance by sector (computed as described above) were compared against the contributions to the aggregate return of the stocks comprising the index, by sector, as reported by FactSet Databases. Holdings returns for this commentary are calculated as total returns, which reflect any dividends or income earned during the period. Prior to September 30, 2016, holdings returns were based upon price percentage change. (4) Effective January 28, 2016 the fund has changed its benchmark index from the Russell 2000 Index to the Russell 2000 Value Index because management believes that the Russell 2000 Value Index more accurately represents the Fund's "value style" of investing.

Small Cap Value Fund

Fourth Quarter 2016 Commentary

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Data provided for performance attribution are estimates based on unaudited portfolio results. Performance contributors and detractors were not realized gains or losses for the Fund during the quarter. Market performance presented solely for informational purposes. The S&P 500 Index is designed to act as a barometer for the overall U.S. stock market. The index is unmanaged, consisting of 500 stocks that are chosen on the basis of market size, liquidity, and industry grouping. The S&P 500 is a market value weighted index with each stock's weight in the index proportionate to its market value. The Russell 2000® Value Index is an unmanaged index that measures the performance of the small-cap value segment of the U.S. equity universe and includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Index is an unmanaged index that measures the performance of the smallest 2,000 companies by market capitalization of the Russell 3000® Index. The Russell 2500® Value Index is an unmanaged index that measures the performance of the small to mid-cap value segment of the U.S. equity universe and includes those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2500® Index is an unmanaged index that measures the performance of the 2,500 smallest companies by market capitalization of the Russell 3000® Index. The Russell Midcap® Value Index is an unmanaged index that measures the performance of the mid-cap value segment of the U.S. equity universe and includes those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The Russell Midcap® Index is an unmanaged index that measures the performance of the 800 smallest companies by market capitalization of the Russell 1000® Index. The Russell 1000® Index is an unmanaged index that measures the performance of the 1,000 largest companies by market capitalization of the Russell 3000® Index. The Russell 3000® Value Index is an unmanaged index that measures the performance of the broad value segment of the U.S. equity universe and includes those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 3000® Index is an unmanaged index that measures the performance of the 3,000 largest U.S. companies by market capitalization. These Index figures do not reflect any deduction for fees, expenses or taxes, and are not available for direct investment. Securities in the Fund may not match those in the indexes and performance of the Fund will differ. The KEELEY All Cap Value Fund, KEELEY Small-Mid Cap Value Fund, KEELEY Small Cap Value Fund, KEELEY Small Cap Dividend Value Fund and KEELEY Mid Cap Dividend Value Fund are distributed by Keeley Investment Corp.

The top ten holdings of KSCVX as of December 31, 2016 include OUTFRONT Media, Inc. (3.22%), BancorpSouth, Inc. (3.22%), Hilltop Holdings, Inc. (3.18%), Air Lease Corporation (2.89%), BOK Financial Corporation (2.62%), Kennedy-Wilson Holdings, Inc. (2.47%), John Bean Technologies Corporation (2.39%), Denny's Corporation (2.37%), Vail Resorts, Inc. (2.33%), and Nexstar Broadcasting Group, Inc. (2.31%).

KEELEY Funds

Shareholder Services
888-933-5391
info@keeleystfunds.com

Distributed By:

Keeley Investment Corp.
Member FINRA/SIPC
312-786-5050
800-533-5344
312-786-5003 FAX