



**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](http://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 December 1, 2009.**

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](http://www.keeleyfunds.com). The prospectus/summary prospectus should be read carefully before investing.**

# Small Cap Dividend Value Fund

Fourth Quarter 2016 Commentary

The fourth quarter capped off a remarkable year of 2016. After a rocky start in January and early February, the market steadied after it became clear that the Federal Reserve (Fed) would not be raising rates as quickly as investors feared. The advance survived some mid-year jitters resulting from the surprise result of the UK Brexit vote and some late-year worries about the U.S. Presidential election. Overall, the market was up all four quarters. The 12% gain in the S&P 500 was better than the long-term averages, but the real excitement was in small cap stocks and in value stocks. The Russell 2000's 21% gain far outpaced that of the large caps. Within small-cap stocks, the Russell 2000 Value Index's 32% gain far outstripped the 11% increase for the Russell 2000 Growth Index; the widest gap since 2001. Much of the gain for the year, and the outperformance of small cap and value stocks, came in the fourth quarter as the Russell 2000 Value Index was up 14.1% in the quarter vs. a 3.8% increase for the S&P 500.

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% in the third quarter (its best quarterly change in two years), and the unemployment rate closed 2016 at 4.7%.

For the fourth quarter of 2016, the Keeley Small Cap Dividend Value Fund outperformed the Russell 2000 Value Index, gaining 14.38% versus 14.07%. This was the second best quarter of absolute returns in the Fund's seven-year history. Strong stock selection drove the Fund's relative success this quarter. Consumer Discretionary, Materials, Health Care, Financials, and Real Estate added to relative performance, while Technology, Industrials, Energy, and Consumer Staples detracted. Our sector weighting decisions offset some of the stock selection benefit with the biggest detractor coming from our cash weight.

The Fund's top performing stock this quarter was Winnebago Industries (WGO), which benefited from an immediately accretive acquisition of Grand Design RV, a privately held manufacturer of towable fifth wheel and travel trailers. The acquisition improves both Winnebago's product line-up and earnings outlook.

One of the sectors most impacted by the election results was Financials. The potential for lower taxes, higher interest rates, and an easing in regulation propelled the sector, and small banks in particular higher. We had ten Financial stocks up more than 30% in the quarter, with BancorpSouth (BXS) and Columbia Banking (COLB) being the most impactful.

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Two of the Fund's leading detractors came from the challenging Technology sector this quarter. Dolby Laboratories (DLB) stock performed well in the first nine months of the year, but gave back some of its gains in the fourth quarter after it provided initial fiscal 2017 that was a little below expectations. Cypress Semiconductor (CY) stock price declined in the quarter. Even though earnings results remain solid, the company's stock price retreated following last-quarter's rumored takeover.

Another detractor this quarter was Meridian Bioscience (VVO), which continued to struggle with sluggish sales. With dilution from an acquisition further reducing dividend coverage, we elected to sell our position.

We look ahead with cautious optimism. Some of the most visible policy priorities put forth by the new President on the campaign trail (cut taxes, increase infrastructure spending, reduce regulation) could lead to the continuation of growth or an acceleration in the growth rate of the economy. This would be very supportive for stocks and likely small-cap stocks in particular. On the other hand, his protectionist tone could lead to similar actions elsewhere which would slow growth. Furthermore, stronger growth and higher rates in the U.S. would likely drive even more strength in the dollar, which would hurt some industries. Finally, the strength in the market over the last year has increased valuations broadly and significantly in some sectors. If the President's legislative agenda gets bogged down in Congress and some of the positive changes come more slowly or fail to materialize, the market would be more vulnerable to profit taking.

One of the aspects of the quarter that we find most encouraging is that the Fund was able to keep up in a strong market where interest rates were rising. We do not necessarily expect to keep up when the market is strong and we would be irresponsible not to worry some about the impact of rising rates on a portfolio of dividend paying stocks. In fact, one of the questions we have received most frequently from investors over the years is "How will the Fund do when rates rise?". We have always believed that it would do well because we do not focus on "income" stocks. Instead, we use dividends as evidence of a company's ability to generate cash, a commitment to capitalize the company conservatively, and a hint that the company's management team wants to reward shareholders consistently. We believe those are attractive characteristics in any interest rate environment.

As always, thank you for your support of the Keeley Small Cap Dividend 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 1.29% for Class A Shares and 1.04% 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)

	<b>KSDVX</b>	<b>KSDVX</b>	<b>Russell 2000</b>
	<u>No Load</u>	<u>Load</u>	<b>Value</b>
<b>1 Year</b>	<b>29.43%</b>	<b>23.63%</b>	<b>31.74%</b>
<b>5 Year</b>	<b>13.43%</b>	<b>12.39%</b>	<b>15.07%</b>
<b>Since Inception**</b>	<b>14.42%</b>	<b>13.68%</b>	<b>13.91%</b>
<b>Expense Ratio (Gross)**</b>		<b>1.52%</b>	
<b>Waiver/Expense Reimbursement**</b>		<b>-0.15%</b>	
<b>Expense Ratio (Net)**</b>		<b>1.37%</b>	

*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.

# Small Cap Dividend Value Fund

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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.

**Dividend-Paying Stock Risk.** The companies held by the Fund may reduce or stop paying dividends, which may affect the Fund's ability to generate income. The Adviser's approach in selecting dividend-paying securities may go out of favor with investors. This may cause the Fund to underperform relative to other mutual funds that do not emphasize dividend-paying stocks.

The top ten holdings of KSDVX as of December 31, 2016 include FBL Financial Group, Inc. (2.40%), BancorpSouth, Inc. (2.35%), Winnebago Industries, Inc. (2.16%), Hanmi Financial Corporation (2.13%), Wintrust Financial Corporation (2.13%), Marriott Vacations Worldwide Corporation (2.08%), Columbia Banking System, Inc. (2.08%), CECO Environmental Corporation (2.02%), Berkshire Hills Bancorp, Inc. (1.98%), and Ensign Group, Inc. (1.89%).

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