



# Small Cap Dividend Value Fund

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 6/30/17. 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.

## To Our Shareholders,

For the quarter ended June 30, 2017, The Keeley Small Cap Dividend Value Fund's net asset value ("NAV") per Class A share rose 0.54% versus a gain of 0.67% for the Russell 2000 Value Index.

## Commentary

The reversal of fortunes that started at the beginning of 2017 continued in the second quarter: we specifically refer to large-cap stocks outperforming small-cap stocks and growth stocks outperforming value stocks. On a year-to-date basis, the Russell 1000 Index leads the Russell 2000 Index by more than 400bps; 9.27% to 4.99%.

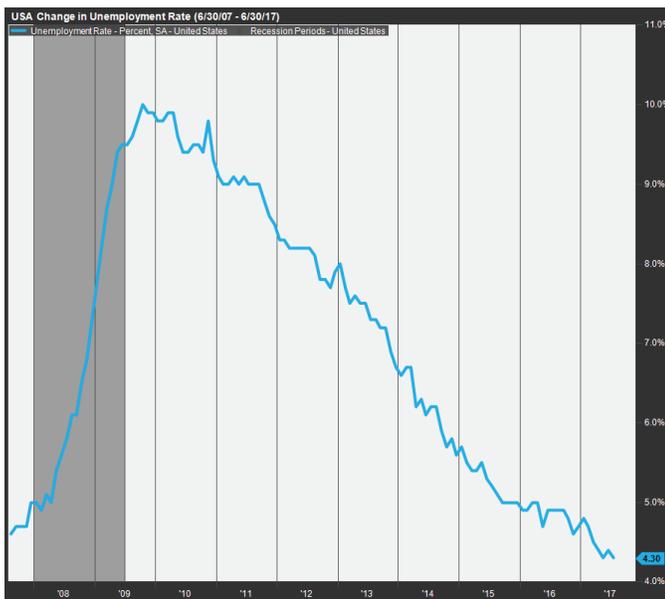
### Market Performance

As of June 30, 2017	3 Months	YTD	1-Year
S&P 500 Index	3.1%	9.3%	17.9%
Russell 3000 Value Index	1.3%	4.3%	16.2%
Russell 3000 Index	3.0%	8.9%	18.5%
Russell 2500 Value Index	0.3%	2.0%	18.4%
Russell Midcap Value Index	1.4%	5.2%	15.9%
Russell 2000 Index	2.5%	5.0%	24.6%
Russell 2000 Value Index	0.7%	0.5%	24.9%
Bloomberg Barclays Agg. Bond Index	1.5%	2.3%	-0.3%

Over the same time period, the Russell 2000 Growth Index has run well ahead of the Russell 2000 Value Index; 9.97% to 0.54%. This trend reverses much of the outperformance of small and value stocks in calendar 2016.

We see several interrelated factors accounting for this change in market drivers since the end of 2016. First, relative valuations favored large-cap at the end of last year due to the strong fourth quarter run in small-caps. Second, the dollar, as measured by the US Dollar Index, has faded this year and was down almost 7% in the first half. Although this provided a currency tailwind to the overseas profits of all companies, larger companies average twice the overseas revenues of smaller companies. Third, despite the Republican control of both houses of Congress and the Presidency, gridlock appears firmly entrenched in Washington. In addition to the usual philosophical differences that divide the two political parties, ongoing questions about contacts between Trump advisors and the Russians during last year's campaign has distracted the administration and Congress. These questions seem to

### USA Change in Unemployment Rate (6/30/07 - 6/30/17)



Source: U.S. Bureau of Labor Statistics, Factset. Grey represents recession periods.



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have diminished the President's political capital, which has led to delays in advancing his agenda of lower taxes, less burdensome regulation, an Obamacare repeal or replacement and increased infrastructure spending.

Stocks, particularly small-cap and value names, performed very well in the fourth quarter of 2016 because of enthusiasm for this agenda, which we expect would have a meaningful positive impact in these asset classes. With little progress to date and increasing risks that the programs will not make it through Congress, the stocks that benefited most last year have lagged in the first half of this year. We, however, remain optimistic that parts of the agenda will ultimately move forward, though it may not be as substantial as originally anticipated.

The Fund performed relatively in line with the Russell 2000 Value Index (the "Index"). Within sectors, our slight underweight in the Consumer Staples sector added to relative performance, as that sector was the second worst performing sector in the Index. While the Fund outperformed in Consumer Staples and Energy (the two worst performing sectors in the Index), it lagged in Industrials, Technology, and Consumer Discretionary (Industrial and Consumer Discretionary were two of the three best performing sectors in the Index).

The Fund only holds one Consumer Staples stock, poultry producer Sanderson Farms. Its stock rose in the quarter on strong earnings and optimism that more international markets will open to US exports. In Energy, the worst performing sector in the Index, the Fund's holdings in Alon USA and World Fuel Services gained ground in the quarter.

The largest detractor among sectors was Industrials. While its 5% gain led all sectors within the Index, weakness in CECO Environmental and Covanta led the Fund's holdings to decline about 1%. In the Technology sector, ATM maker Diebold Nixdorf gave back much of its first quarter gains. Finally, the Fund's media holdings underperformed in Consumer Discretionary, as Time, Nexstar Media, and HSN all produced double digit declines. We discuss Time and Nexstar later in this letter as they were two of the Fund's larger detractors. We may have the opportunity to discuss HSN in a more positive light next quarter as it agreed to be acquired by rival QVC after quarter end.

While we remain cautiously optimistic, we believe the range of potential paths for the market may be wider than normal. On one hand, the Trump administration is having more difficulty finding its footing than any in recent memory. With health care reform near dead, Congressional leaders are now trying to move on and address tax reform. While not as divisive as health care, the two parties do not share a great deal of common ground on this issue either. Moreover, the President does not appear to have the political capital to unite his party to pass legislation that may not be overwhelmingly popular. If Washington cannot make progress on this issue by year-end, the prospects for any action will likely fade. The Democrats may then decide to try to run out the clock and hope that the 2018 mid-term elections reestablish their majority in one or both houses of Congress. This uncertainly could take a toll on consumer and investor confidence, thereby slowing the economy and creating problems for the market. The other set of possibilities has the Trump administration settling down and getting back to leadership on policy advancement. A combination of lower corporate taxes, reduced regulation, and infrastructure spending could be a powerful driver of economic growth and corporate profits.

## Contributors and Detractors

The top three performing stocks in the quarter were:

**Marriott Vacations Worldwide (VAC)** is one of the leading developers, marketers, and managers of timeshare resorts. This was the second quarter in a row where its stock was the leading contributor to the Fund's results. It rose on the strength of recent sales and earnings results which are being driven by a maturing development pipeline



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and an expansion in its sales network. In addition, VAC has been rumored to be looking at acquiring competitor ILG, Inc. (ILG). Depending on the price paid, this could be a good deal for Marriott Vacation as it would unify the timeshare businesses of the now-merged Marriott and Starwood lodging franchises.

**Winnebago Industries (WGO)** designs, manufactures and sells towable and powered recreational mobile homes. Last year's acquisition of Grand Designs improved Winnebago's presence in the faster growing towable segment and is adding to profitability. In addition, its core motor home business appears to be stabilizing as it saw its first increase in backlog in some time. Finally, a relatively new management team is altering some operating practices at Winnebago that we believe will improve the structural profitability of the company.

**Ensign Group (ENSG)** is a leading owner and operator of skilled nursing facilities. It operates more than 200 facilities in fourteen states and has built itself to that size through an aggressive acquisition program. One of last year's larger acquisitions caused some indigestion and led to uneven earnings results in the second half of 2016. Ensign reported improvement during the quarter and appears to be getting back on track.

The bottom three performing stocks in the quarter were:

**Time Inc. (TIME)** leads the US and the UK in magazine publishing. Its stock moved lower in the quarter after its strategic review program failed to produce a sale. In addition, the process proved to be disruptive to Time's business, and it reported disappointing results and a softer outlook.

**SemGroup Corporation (SEMG)** owns and operates a diverse portfolio of energy infrastructure assets including pipelines and storage tanks. Its stock fell after the company announced the acquisition of the Houston Fuel Oil Terminal Company. While this transaction supports faster dividend growth, it significantly increases leverage. Furthermore, it will require additional financing over the next year. That uncertainty in a falling commodity price environment was enough to knock down the shares.

**Nexstar Media (NXST)** is the largest owner and operator of broadcast television stations in the United States. While NXST's recent acquisition of Media General's TV stations should add significantly to free cash flow, uneven Q1 results across broadcasters has created concerns among investors about the outlook for advertising revenue growth.

## Conclusion

Thank you for your investment in the Keeley Small Cap Dividend Value Fund. We will continue to invest in the Fund as fellow shareholders and work hard to justify your confidence and trust.



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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, 2018 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 6/30/2017)

	KSDVX No Load	KSDVX Load	Russell 2000 Value
<b>1 Year</b>	20.17%	14.75%	24.86%
<b>5 Year</b>	11.54%	10.51%	13.39%
<b>Since Inception**</b>	13.41%	12.73%	13.03%
<b>Expense Ratio (Gross)**</b>		1.64%	
<b>Waiver/Expense Reimbursement**</b>		-0.19%	
<b>Expense Ratio (Net)**</b>		1.45%	

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

## Top Ten Holdings (Percent of Net Assets) June 30, 2017

Name	Weight (%)	Name	Weight (%)
Winnebago Industries, Inc.	2.29%	Cypress Semiconductor Corporation	2.03%
BancorpSouth, Inc.	2.23%	Virtu Financial, Inc.	1.96%
Wintrust Financial Corporation	2.15%	Chemed Corporation	1.92%
Marriott Vacations Worldwide Corporation	2.14%	CareTrust REIT Inc	1.86%
Ensign Group, Inc.	2.14%	Berkshire Hills Bancorp, Inc.	1.82%

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-Teton Advisors, LLC ("Keeley Teton") 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 Keeley Teton 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 Keeley Teton. (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.



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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. The Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS. 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 G.distributors, LLC.

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