KEELEY Funds

Fourth Quarter 2018 Commentary

Mid 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*

This summary represents the views of the portfolio managers as of 12/31/18. 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, 2011.**

Risks: Smaller and medium-sized company stocks are more volatile and less liquid than larger, more established company securities. Dividend paying investments may not experience the same price appreciation as non-dividend paying investments. Portfolio companies may choose not to pay a dividend or it may be less than anticipated.

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.

To Our Shareholders,

For the quarter ended December 31, 2018, The KEELEY Mid Cap Dividend Value Fund's net asset value ("NAV") per Class A share fell -16.03% compared with a -14.95% decline for the Russell Mid Cap Value Index. For the full-year 2018, the Fund was down -12.85% compared with a -12.29% loss for the benchmark.

Commentary

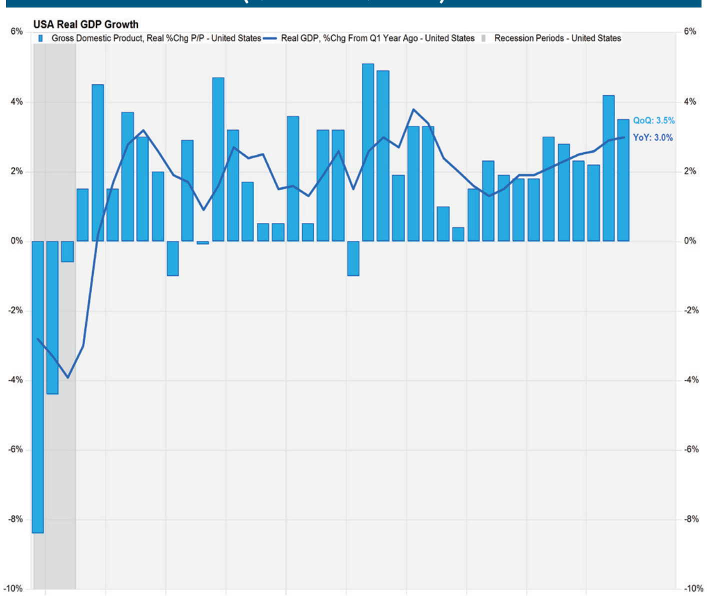
2018 was a year of extremes. January was the best start to the year since 1997 for the S&P 500. After a correction in early February, the market churned its way higher to record ten new all-time highs, the last coming in September. It was downhill from there. Starting in late September, the market declined for most of the fourth quarter with the low for the quarter and year coming on Christmas Eve. The worst quarter in more than seven years closed out the worst year in the last ten. Midcap stocks and value stocks performed worse than large-cap and growth stocks for the year, although value outperformed growth for the fourth quarter.

Market Performance

As of December 31, 2018	3 Months	1-Year	3-Years
S&P 500 Index	-13.5%	-4.4%	9.3%
Russell 3000 Value Index	-12.2%	-8.6%	7.0%
Russell 3000 Index	-14.3%	-5.2%	9.0%
Russell 2500 Value Index	-17.1%	-12.4%	6.6%
Russell Midcap Value Index	-15.0%	-12.3%	6.1%
Russell 2000 Index	-20.2%	-11.0%	7.4%
Russell 2000 Value Index	-18.7%	-12.9%	7.4%
Bloomberg Barclays Agg. Bond Index	1.6%	0.0%	2.1%

Source: eVestment.

USA Real GDP Growth (Q4 2008 - Q3 2018)



Source: U.S. Bureau of Economic Analysis, Factset. Grey represents recession periods.

Both the early-year strength and the late-year weakness arose from developments in Washington DC, which changed investor perception of the economic outlook, without any really change to economic conditions and results. The strength of the market early in 2018 was driven by enthusiasm for the Tax Cuts and Jobs Act, which President Trump signed on December 22, 2017. As part of a larger tax reform initiative, corporate income taxes were lowered for the first time since 1993. For most US companies, this created an immediate boost to earnings and cash flow. Furthermore, the additional earnings could be reinvested to fuel economic growth, which could lead to even more earnings. With the economic cycle having surpassed a "normal" duration, it was hoped that the tax reform act could extend growth for another several years.

Just as in the January/February timeframe, the correction in the fourth quarter came after President Trump ratcheted up the probability that the United States would engage in a trade war with one or more foreign countries. In the earlier version, almost all of the US's important trading partners were targeted as the President proposed tariffs on a wide variety of goods coming from Europe, North America, and China. Some compromises with Europe and the USMCA (United States-Mexico-Canada Agreement, the New NAFTA) seems to have resolved issues with many of these parties, but the US/China trade war continued to simmer.

It became more serious in September when US tariffs of 10% on $200 billion of Chinese goods and Chinese tariffs on $60 billion of US exports went into effect. These measures combined with higher interest rates and slowing growth outside of the US have taken a toll on confidence. Consumer confidence in the US has fallen from its October highs and CEO confidence, as measured by the Conference Board, fell to its lowest level since 2012. The ISM Purchasing Managers indices also retreated during the fourth quarter.

So far, actual economic results have not mirrored the sentiment data. The latest jobs report showed a stunning 310,000 new jobs created during December. Furthermore, although the International Monetary Fund (IMF) recently lowered its forecast for global growth from 3.7% to 3.5% and several major banks have downgraded their 2019 forecasts in recent months, none predict a global recession is on the horizon. We would generally concur with this view. Overall, we think that the economy will continue to muddle along. A couple of factors make this view a little more uncertain than usual. First, we assume that calmer heads will prevail in the trade standoff and that this issue will not escalate. If we are wrong about that, the economy will likely perform worse. Second, we assume that the government shutdown will be resolved before it damages the economic outlook. The longer it drags out, the riskier this underlying assumption becomes.

As we look ahead, we are more optimistic about the outlook for the stock market than usual. If both sticking points mentioned above are resolved favorably, the market could do well. Valuations were more attractive at year-end than they have been in a long time. The S&P 500 traded at 14.4x forward EPS, the lowest point since late 2013 and below its 15.7x average since 1999. For mid cap stocks, the valuation story is even more compelling. The Russell MidCap trades at 14.3x forward EPS, the lowest point since early 2013 and below the long-term (since 1999) average of 15.8x. Mid cap value stocks are even more interesting with a forward P/E of 12.3x for the Russell MidCap Value index. This compares with a long-term average of 14.1x. If investors come to believe that deterioration in economic growth will not undermine company earnings, stocks look undervalued.

The Fund performed slightly worse than its benchmark this quarter. This was disappointing to us, as the Fund has typically performed better than the benchmark during down quarters. Furthermore, dividend-paying stocks outperformed non-dividend-paying stocks.

From an overall portfolio standpoint, the Fund's tilt toward companies that benefit from higher rates hurt performance in a couple interest rate-sensitive sectors. In the Financials sector (the largest exposure in the Fund), we own banks that earn more money in a higher rate environment. The Fund has also been overweight life insurance companies, which also benefit from higher rates. With concerns growing about a slower economy, long-term interest rates declined during the quarter and these stocks lagged. The decline in rates also contributed to underperformance in Real Estate. We have been working to reign in this exposure as it appears that the Fed is most of the way through its tightening campaign.

When we disaggregate performance between sector allocation and stock selection, we see that allocation helped, while selection hurt. The lion's share of the allocation benefit came from cash holdings. These are not large, but the decline in the market was relatively large so they had an impact. A slight overweight in Utilities and a slight underweight in Energy (which was down 35% as a sector) also helped. The Fund's holdings in Energy, Health Care, and Utilities outperformed those within the benchmark, while the Fund's holdings in Industrials, Financials, Technology, Consumer Staples, and Consumer Discretionary lagged.

Within the positive sectors, Energy was the largest positive contributor. The Fund's holdings in exploration and production (E&P) companies with more gas exposure appreciated whereas the sector itself was the worst-performing sector in the index.

The Fund also added value in the Health Care sector as four out of five of the Fund's holdings performed better than the overall sector. The lack of any Biotechnology or Pharmaceutical exposure helped and the Fund's stocks outperformed other stocks within the sector.

Although Utilities, was the best-performing sector in the index, it still declined in absolute terms. Five of the Fund's nine holdings appreciated during the quarter contributing to outperformance led by an 8.5% gain in OG&E Energy (discussed below).

Industrials topped the losing side of the ledger. Only one of the Fund's ten holdings was up in the quarter and four were down more than 30%. We exited one of these four, maintained our holdings in one, and adding to two. We believe the weakness in BWX Technology was overdone and think the fundamentals at Air Lease and GrafTech remain solid, in contrast to the weakness shown in their share prices.

The Financials sector was the second largest detractor. As we stated before, weakness in banks and life insurance company stocks drove weakness in the sector for the Fund. We think the fundamentals have not changed much and estimates continue to look reasonable. At this point, Financials are one of the cheapest sectors of the market. The average P/E (based on forward four quarters earnings) for the financials stocks in the Fund was 8.8x at year-end.

In the Technology sector, two of the Fund's technology services stocks, DXC Technology and Perspecta dragged down performance. At DXC, revenue softness in the September quarter offset earnings gains in investors' minds. Perspecta's shares fell on concerns about how a potential (now actual) government shutdown might impact financial results because it derives almost all its revenues from government contracts.

In the Real Estate sector, in addition to the interest-rate impact mentioned above, the Fund's holding in Sabra Health Care REIT hurt performance. Through a recent acquisition, the company acquired some struggling tenants that have proved to be more disruptive than expected. Sabra has made a great deal of progress in resolving these issues.

Let's Talk Stocks

The top three contributors in the quarter were:

Lamb Weston Holdings (LW - $73.56 – NYSE) is one of the largest producers of frozen potato food products (French fries and other starchy goodness). Through both solid demand, particularly from North American quick-service restaurants (QSRs), and steady price increases, Lamb Weston has continued to exceed consensus expectations, and the company did so again at the start of the fourth quarter. Despite the market downturn later in the fourth quarter, Lamb Weston shares held up nicely throughout the entire quarter, driven by investors' belief that the underlying dynamics facing the company remained favorable. In addition, some U.S. QSRs, like McDonald's, reported good earnings and impressive same-store sales numbers during the quarter.

Foot Locker (FL - $53.20 – NYSE) is the largest footwear specialty retailer. Driven by an ongoing turnaround at

Nike and improved store traffic trends, Foot Locker posted better than expected earnings during the fourth quarter that were underpinned by its best same-store sales growth in seven quarters. Foot Locker also telegraphed better same-store sales from here, guiding to likely higher same-store sales in the next quarter, and announced that two laggards within the company – basketball shoes and its European operations – have seen improved performance. Investors anticipated a better report from Foot Locker, prompting shares to rally even before the company released its earnings report in the middle of the quarter.

OGE Energy (OGE - $39.19 – NYSE) is a utility holding company that produces electricity in Oklahoma and Western Arkansas and is a general partner in publicly traded master limited partnership Enable Midstream Partners (ENBL - $13.53 – NYSE). The company produced a very good quarter that exceed consensus earnings estimates and allowed management to increase full year guidance. Earnings contribution from the Utility segment increased due to better weather and customer growth while Enable's earnings contribution increased due to record processing and gathering volumes. It also appears that the underlying regulatory environment has improved which helped close the valuation gap to peers.

The three largest detractors in the quarter were:

SM Energy (SM - $15.48 – NYSE) is a mid-sized oil and gas exploration and production company with most of its core operations in the Permian Basin in Texas. While the company continues to generate solid production growth and third quarter financial results were in line with expectations, SM lowered its forward outlook slightly due to storm-related disruption in its operating schedule. The bigger impact in the quarter was the steep drop in oil prices. Crude fell from about $73 per barrel at the end of September to about $46 at year-end. This increases investor concern about SM's debt level and its ability to operate on a cash-flow neutral basis in 2019.

DXC Technology (DXC - $53.17 – NYSE) is one of the world's largest providers of information technology services. While the company continued to report solid earnings gains that exceeded investor expectations, revenue growth continues to struggle. DXC reported lackluster bookings trends over the last few quarters leading investors to question whether the company will be able to improve the revenue trajectory. This slowdown has come as DXC moved deeper into its integration and cost-cutting program raising concerns about the sustainability of earnings growth.

Air Lease Corporation (AL - $30.21 – NYSE) is one of the leading aircraft leasing companies purchasing new commercial aircraft directly from manufacturers and leasing those aircraft to airlines worldwide at attractive returns on equity. The stock has acted poorly during the quarter due to investor concerns regarding the impact of higher interest rates on the company's leasing spreads as well as its exposure to emerging markets. The long lead times in ordering commercial aircraft offset these issues, as Air Lease does not lock in the lease rate until it delivers the plane and it is very easy to place planes from order termination or early lease termination given the high demand. There were a few emerging market airlines that filed for bankruptcy and the aircraft lessors easily re-leased these aircraft given the increasing demand for air travel from the growing middle class.

Conclusion

In conclusion, thank you for your investment in the KEELEY MidCap Cap Dividend Value Fund. We will continue to work hard to justify your confidence and trust.

Mid Cap Dividend Value Fund

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 1.20% for Class A Shares and 0.95% 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 February 28, 2020 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 12/31/2018)

	KMDVX No Load	KMDVX Load	Russell Midcap Value
1 Year	-12.85%	-16.76%	-12.29%
5 Year	5.77%	4.79%	5.44%
Since Inception**	12.38%	11.67%	12.43%

Expense Ratio (Gross)**	1.38%
Waiver/Expense Reimbursement**	-0.17%
Expense Ratio (Net)**	1.21%

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)
December 31, 2018

Name	Weight (%)	Name	Weight (%)
NRG Energy, Inc.	2.31%	Iron Mountain, Inc.	1.95%
FMC Corporation	2.16%	BOK Financial Corporation	1.89%
Total System Services, Inc.	2.04%	ITT, Inc.	1.82%
Vulcan Materials Company	2.03%	Foot Locker, Inc.	1.81%
Cigna Corporation	2.01%	Hudson Pacific Properties, Inc.	1.80%

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.

Mid Cap Dividend Value Fund

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed for use by Keeley Teton. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

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. The S&P SmallCap 600® measures the small-cap segment of the U.S. equity market and is unmanaged. The index is designed to track companies that meet specific inclusion criteria to confirm that they are liquid and financially viable. The S&P MidCap 400® provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500®, measures the performance of mid-sized companies reflecting the distinctive risk and return characteristics of this market segment. 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 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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