KEELEY
Funds

Fourth Quarter 2019 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 12/31/19. 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, 2019, the KEELEY Mid Cap Dividend Value Fund's net asset value ("NAV") per Class A share rose 7.04% compared with a 6.36% gain for the Russell Mid Cap Value Index. For the full-year 2019, the Fund was up 25.61% compared with a 27.06% gain for the benchmark.

Commentary

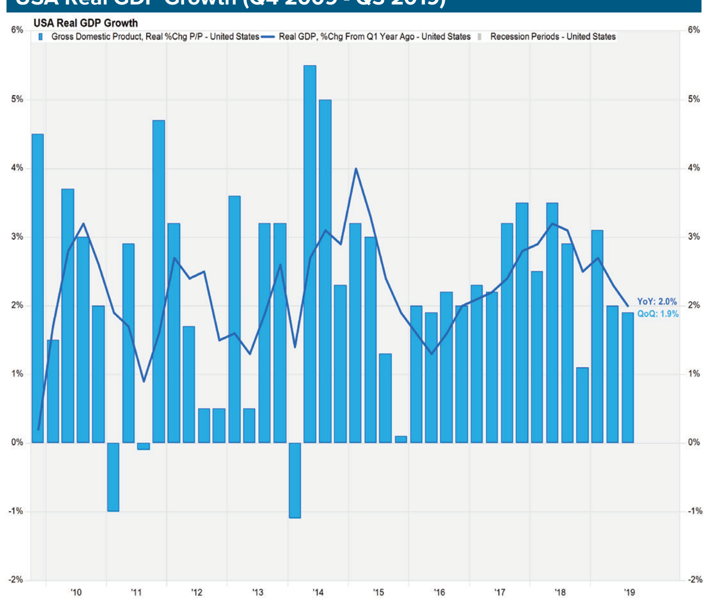
After limping into the end of 2018, the market bounced back in the first quarter and never looked back. As measured by the S&P 500 Index (or any other Index for that matter), the market rose in all four quarters, historically the market has had this outcome in almost 30% of past calendar years. The S&P 500's full-year total return of more than 31% is its 11th best year since 1940. By these metrics, the end of the second decade of this millennium was exceptional for the stock market.

Market Performance

As of December 31, 2019	3 Months	1-Year	3-Year
S&P 500 Index	9.1%	31.5%	15.3%
Russell 3000 Value Index	7.5%	26.3%	9.3%
Russell 3000 Index	9.1%	31.0%	14.6%
Russell 2500 Value Index	7.1%	23.6%	6.1%
Russell Midcap Value Index	6.4%	27.1%	8.1%
Russell 2000 Index	9.9%	25.5%	8.6%
Russell 2000 Value Index	8.5%	22.4%	4.8%
Bloomberg Barclays Agg. Bond Index	0.2%	8.7%	4.0%

Source: eVestment.

USA Real GDP Growth (Q4 2009 - Q3 2019)



Source: U.S. Bureau of Economic Analysis, Factset.

The fourth quarter helped drive these strong gains with a 9.1% total return for the S&P 500 Index. A combination of better economic readings and progress in reaching a trade deal with China drove performance, as it did for much of the year, Growth outperformed Value and for the first time since the second quarter of 2018, small-caps outperformed large-caps, although it was only by 10bps. Mid-caps lagged, interest-sensitive sectors like REITs and Utilities underperformed. Non-dividend paying stocks significantly outperformed dividend-paying stocks.

A year ago, the debate in the market revolved around the potential impact from the government shutdown, an escalating trade war with China, and whether the Fed had gone too far (or would go too far) in raising rates. While the government shutdown ended up being the longest on record, it did not seem to have much short-term impact on the economy and certainly did not throw the US into a recession. The trade dispute with China probably did slow economic growth, but the general perception of progress in resolving this dispute dampened the impact. Furthermore, the progress made in the fourth quarter which culminated in the announcement of a "Phase One" deal likely contributed heavily to fourth quarter gains. The question about the Fed raising interest rates was answered early in 2019 when it signaled that it would be on hold. This concern was put to rest in the middle of the year when it cut rates for the first of what would be three rate cuts.

The future course of the US economy is likely to have a big impact on the markets. After negative growth readings from September 2008 through June 2009, the US posted positive growth in the third quarter of 2009 to start the recovery/expansion. While there have been some negative quarters since, they have not been consecutive and so the economy has not fallen into the definition of a recession. This is now the longest period of expansion since the government started keeping reliable records. With unemployment near historic lows, investors have wondered how much longer the expansion can continue. We think the economy is stable and should continue to grow. While this expansion has been long in duration, the slope of it has lagged most other recoveries, there should be room for continued growth. We are not seeing some of the cost pressures that typically arise when the economy is at an advanced stage in the expansion. The most worrisome is labor costs, but growth in the labor force participation rate seems to be offsetting much of the wage pressure that generally comes from a low unemployment rate. Commodity costs are up some from a year ago, but not much changed over the last five years. Finally, economies outside the US seem to be seeing better prospects. All in all, the economy looks okay, although not robust.

Whatever the outcome of the upcoming Presidential election, 2020 promises to be an interesting year. It is also likely to be a year in which the parts of the stock market in which we traffic (small- and mid-cap value) do relatively better. We have talked in past letters about the relative attractiveness of small-caps vs. large-caps and value stocks vs. growth stocks. This did not help again in 2019, but we believe it will eventually work.
An interesting observation we have that many people do not talk about is the outperformance of value stocks in Presidential election years. In fact, since 1980, the Russell 2000 Value Index has outperformed the Russell 2000 Growth Index in all Presidential election years, value beat growth in eight of the ten Presidential election years. In addition, small-caps beat large caps in seven of the ten election years. While streaks are broken all the time (UNC basketball recently lost to Clemson at home after 59 consecutive wins!), the combination of relative valuation and history makes us optimistic about the year ahead, at least from a relative perspective.

Portfolio Results

For the second quarter in a row, the Keeley Mid Cap Dividend Value fund outperformed its benchmark. This came after lagging the Russell Midcap Value Index in the first half, but it was not quite enough to get the Fund ahead for the year. Nonetheless, a mid-twenties total return should help shareholders to achieve their long-term financial goals.

When we disaggregate relative performance into the components of Sector Allocation and Stock Selection, we find that Allocation was a slight detractor and Selection added to relative performance. The under-contribution from Sector Allocation was mostly due to a slight underweight in the strong-performing Technology sector and a little due to the Fund's small (2%) cash position.

Within Stock Selection, the Fund outperformed in six sectors, lagged in four, and one was about even. The sectors that contributed most to relative performance were Real Estate, Industrials, Utilities, and Consumer Discretionary. The sectors that detracted most were Technology, Communication Services, and Energy. It is interesting that these were the three strongest sectors within the Index with each posting a gain of more than 10% for the quarter.

- The Real Estate sector was the worst-performing sector in the Index with a slight negative return during the fourth quarter. The Fund's holdings, however, generated positive total returns driven by double-digit gains in Hudson Pacific Properties, VICI Properties, and Lamar Advertising. All reported solid third quarter financial results.

- Mid-cap industrials stocks performed very well during the quarter, but the Fund's holdings performed even better. The Fund held two stocks that appreciated more than 20% during the fourth quarter and another three that were up more than 10%. The best of these, OshKosh Corporation, will be discussed later in this report. The other thing that helped performance was that only one of the Fund's nine Industrials holdings declined (GrafTech) and only two lagged the Russell Midcap Value Index.

- The Utilities sector was the other sector that declined during the quarter, but the Fund's holdings eked out a gain. This was mostly due to a 15% gain in the shares of PPL Corporation. With about 30% of its profits coming from the UK, the emerging clarity on Brexit helped the shares. In addition, PPL was the subject of potential takeover speculation during the quarter.

- The Technology sector was the biggest detractor from relative performance for the Fund. The Fund was underweight largely because several of its holdings were acquired during the year and we had not found suitable replacements. In addition, while all of the Fund's holdings appreciated during the quarter, they did not measure up to the 11.5% return generated by the Technology sector within the benchmark.

- The Communications Services sector is a small one and the Fund holds only two stock in the sector. One of these, Nexstar Media, performed very well while the other, Cinemark Holdings, was the Fund's largest detractor during the quarter. We discuss it further in the next section.

- Energy was also one of the best-performing sectors in the market, but the Fund's holdings did not keep up. While a 13% gain in the price of crude drove a strong gain in Parsley Energy, the 6% decline in natural gas led to sluggish performance in Cabot Oil & Gas and EQT. In addition, refiner Delek fell on concerns about narrowing crude spreads.

Let's Talk Stocks

The top three contributors in the quarter were:

OshKosh Corporation (OSK - $94.65 – NYSE) is a leading manufacturer of specialty trucks for commercial and government uses. Its shares rose sharply on the heels of solid calendar third quarter earnings. More important than the third quarter results was the outlook the company provided for its fiscal year 2020. This was generally in line with expectations and much better than investors had feared. The Street had become concerned about an expected soft patch for the company's Access Equipment (scissor lifts, telehandlers) segment. It seems at this point that this softness will be manageable within the overall results of the company.

Cigna Corporation (CI - $204.49 – NYSE) is one of the largest healthcare insurance and management companies. Cigna shares rebounded nicely during the fourth quarter. In the third quarter, shares of Cigna and other health insurers came under pressure owing to the rise in the polls of one Democratic presidential candidate who had expressed a desire to eliminate much, if not all, of the health insurance industry by championing so-called "Medicare for All" legislation. That candidate's polling sagged during the fourth quarter, spurring an industrywide rally. In addition to favorable industrywide trends, Cigna reported strong third-quarter earnings at the end of October, raised its full-year guidance and demonstrated growth in its recently acquired pharmacy benefit manager (PBM) business. Also, Cigna made clear that the firm remains on track to hit its long-stated earnings targets for 2021 that the company laid out back when it announced the acquisition of Express Scripts in early 2018.

Air Lease Corporation (AL - $27.52 – NYSE) is one of the fastest-growing commercial aircraft leasing companies. Air Lease was a strong contributor in the quarter as its strong business model was unphased by the prolonged 737MAX grounding and continued low-cost carrier bankruptcies. High demand for aircraft, exacerbated by the 737MAX situation and Airbus production delays, has led to higher lease rates, higher used plane values and easy placement of planes taken back from bankruptcies. The company remains attractive as it is still trading below book value.

The three largest detractors in the quarter were:

Cinemark Holdings (CNK - $33.85 – NYSE) is one of the largest operators of movie theaters in the United States and has significant operations in South America. Its share price fell in the fourth quarter due to a subpar earnings release for the third quarter that was driven by an excessively concentrated slate of summer blockbuster films. Cinemark's profitability is driven in part by film rental expense – the cost to rent movies from studios that Cinemark then exhibits in its theaters. In the third quarter, the company had an historically unprecedented level of concentration of popular films. That resulted in unusually high film rental expense, which pressured profitability. While shares rebounded some in late November and early December, they also were pressured by some investor concerns over the low number of obvious blockbusters in the box-office lineup for 2020.

GrafTech International (EAF - $11.62 – NYSE) is one of the leading producers of graphite electrodes used in electric arc furnaces to make steel. GrafTech has so far not lived up to our expectations as the company continues to work through a set of issues from higher channel inventories driving spot electrode prices lower, higher prices for key raw ingredient petroleum needle coke, and general economic worries. GrafTech is better insulated from the increased needle coke costs due to its captive supply covering roughly 2/3 of production, but the lower spot prices for electrodes raises concerns about the stability of GrafTech's long-term fixed priced sales agreements. Currently, spot prices are above contract prices, but the concerns remain if that relationship inverts. Shares received a boost late in the quarter as it was speculated that GrafTech might be an acquisition target given its cheap valuation (under 5x 2020 P/E and 5x 2020 EV/EBITDA) but instead its controlling shareholder Brookfield announced a secondary offering, further pressuring shares. Partially offsetting this was the company announcing a $250 million stock buyback in conjunction with Brookfield's secondary. We anticipate additional repurchases by GrafTech given its strong cash flow characteristics and managements stated targets of returning 50% to 60% of free cash flow to shareholders. The concerns surrounding electrode spot prices should subside as the industry works through channel inventories throughout 2020.

EPR Properties (EPR - $70.64 – NYSE) is a real estate investment trust (REIT) that owns entertainment-oriented properties such as movie theaters, driving ranges, and waterparks, in addition to charter schools. Triple-net REITs have a defensive component to them, and starting in late October, investors broadly rotated toward more cyclical stocks and away from more defensive ones. That rotation was fueled by several factors, including reports at the time of a preliminary trade deal with China and a Federal Reserve Board that had signaled no changes to interest rates. Also, in late November, EPR announced the sale of its charter schools segment and the eventual redeployment of those proceeds into other assets. That sale and redeployment prompted reductions in analyst earnings estimates for EPR for 2020, as the dilution from the asset sale is more predictable than the eventual accretion from new asset purchases.

Conclusion

In conclusion, thank you for your investment in the KEELEY Mid 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 12/31/2019)

	KMDVX No Load	KMDVX Load	Russell Midcap Value
1 Year	25.61%	19.94%	27.06%
5 Year	8.41%	7.41%	7.62%
Since Inception**	13.91%	13.28%	14.11%

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, 2019

Name	Weight (%)	Name	Weight (%)
Air Lease Corporation Class A	2.12%	Hudson Pacific Properties, Inc.	1.80%
Oshkosh Corp	1.97%	NRG Energy, Inc.	1.77%
FMC Corporation	1.92%	Discover Financial Services	1.69%
Brixmor Property Group, Inc.	1.91%	Lamar Advertising Company Class A	1.68%
BWX Technologies, Inc.	1.89%	Franco-Nevada Corporation	1.68%

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

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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. 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 Dividend Value Fund and KEELEY Mid Cap Dividend Value Fund are distributed by G.distributors, LLC.

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