



# 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 6/30/20. 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. 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](http://www.keeleyfunds.com). The prospectus/summary prospectus should be read carefully before investing.

## To Our Shareholders,

For the quarter ended June 30, 2020, the KEELEY Small Cap Dividend Value Fund's net asset value ("NAV") per Class A share rose 22.96% versus an 18.91% increase for the Russell 2000 Value Index. For the year-to-date, the Fund is down 21.02% compared with a 23.50% decline for the benchmark.

## Commentary

Following the steep correction of the first quarter, the market rebounded dramatically in the second quarter. At June quarter-end, the market was up almost 40% from its March 23rd low. In the first six months of the year, the market, as measured by the S&P 500 Index, made thirteen new all-time highs after falling into bear market

territory. We believe we are in the early stages of a new bull market as evidenced by the 20% market appreciation over a stunning twelve trading days. The S&P 500 Index went from a record high to the bottom of a bear market to the establishment of a new bull market in 35 trading days.

The second quarter market rebound was the mirror image of the first quarter. As the quarter progressed, evidence mounted that an economic recovery was proceeding at a faster pace than investors had initially expected. Recent economic data points present a strong case for a V-shaped recovery. In the May employment report, jobs grew by 2.5 million compared with consensus expectations for an 8 million decline. This is a sharp reversal from the 20.7 million tumble in April and this has been accompanied by a steady stream of better than expected economic reports:

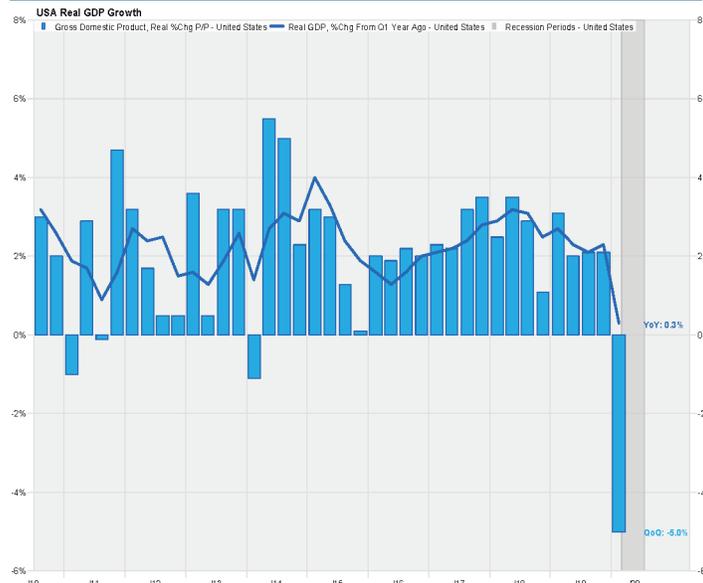
- May Retail Sales grew a record 17.7% in April, more than double the expectation.
- Surveys from the New York Fed and the Philadelphia Fed both exceeded consensus forecasts.

### Market Performance

As of June 30, 2020	3 Months	Year-to-Date	1-Year
S&P 500 Index	20.5%	-3.1%	7.5%
Russell 3000 Value Index	14.6%	-16.7%	-9.4%
Russell 3000 Index	22.0%	-3.5%	6.5%
Russell 2500 Value Index	20.6%	-21.2%	-15.5%
Russell Midcap Value Index	19.9%	-18.1%	-11.8%
Russell 2000 Index	25.4%	-13.0%	-6.6%
Russell 2000 Value Index	18.9%	-23.5%	-17.5%
Bloomberg Barclays Agg. Bond Index	2.9%	6.1%	8.7%

Source: eVestment.

### USA Real GDP Growth (Q2 2010 - Q1 2020)



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



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- The ISM Manufacturing and non-Manufacturing surveys both beat forecasts and exceeded 50, which generally signifies economic expansion.
- June Private non-Farm payrolls grew 4.8 million, double the consensus expectation and the unemployment rate declined to 11.1% from 12.5% in May.

Toward the end of the quarter, new COVID-19 case numbers started to rise. This has driven governors to restrict activity and investors fear a repeat of the March market correction, should economic activity stall. We believe that any new restrictions are likely to be more surgical than those imposed earlier this year and will have less economic impact. At greatest risk are companies in verticals such as travel, leisure, and restaurants.

From a macro viewpoint, the policy response, both fiscal and monetary, has been unprecedented and extraordinary. The government has now passed three rounds of fiscal stimulus aggregating several trillion dollars. This has included direct payments, enhanced unemployment benefits, low-cost forgivable loans to small businesses, and large loans to companies in heavily impacted industries. Another round of stimulus and infrastructure spending is under consideration by the White House and Congress.

At its June meeting, the Federal Reserve Board pronounced that it would maintain a zero Fed funds rate through 2022 and reiterated the Central Bank will increase its holdings of treasury securities and other asset purchases for an extended period. The Fed also said that it will begin buying individual corporate bonds under its Secondary Market Corporate Credit Facility, an emergency lending program.

Against this backdrop, leading indicators look to show a bottom and there appears to be a clear path forward for recovery in the economy. However, the resurgence of COVID-19 is tearing through the U.S., in places like Arizona, Texas, California and Florida, and forcing businesses to postpone reopening. Until a vaccine or more effective therapeutics are developed, social distancing, masks, handwashing, and other personal actions will be the primary means to control the virus spread. While states are slowing reopening and reinstating restrictions, others continue to lift controls.

It is our belief that the extraordinary policy accommodation by the Fed, coupled with trillions in fiscal stimulus appropriated by Congress, should put a floor under both the economy and stock market. We believe that small- and mid-cap dividend-paying value stocks sell at significant discounts to the overall market and that the Keeley Small Cap Dividend Value Fund is well positioned to outperform in the years ahead.

## Portfolio Results

The Fund had a very good quarter. Not only did it outperform in a strong market, it outperformed during a time when dividend-paying small-caps lagged their non-dividend-paying peers. We calculate that dividend-paying stocks within the Russell 2000 appreciated only about 15% compared with a 34% gain for non-dividend-paying stocks. Within the Russell 2000 Value Index the difference was almost as wide, 12.5% vs. 29.2%.

As is the case in most quarters for the Fund, the impact on the portfolio from Stock Selection dominated returns. Sector Allocation was a slight drag as the Fund's cash holdings held back performance in a strong market. Aside from this, a slight overweight in the strong Consumer Discretionary sector (+64% in the quarter) helped, while a slight overweight in Utilities and a slight underweight in Health Care detracted slightly.

The Stock selection impact added value in six sectors, detracted in four, and was not meaningful in one. Stock Selection added the most value in Financials, however, Real Estate, Communication Services, and Utilities were



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also large contributors. The Health Care and Materials sectors detracted most.

- A Q2 rebound in banks, asset managers, and business development companies drove strong gains in the Fund's Financials holdings, whereas Financials were slower to rebound in the Russell 2000 Value Index. The Fund had eight stocks that rose more than 30% in the quarter and another three that were up more than 20%. BrightSphere Investment Group was up more than 90% and was one of the Fund's best performers for the quarter.
- Real Estate was another sector where the Fund's holdings far outstripped the lackluster returns within the index. As with Financials, the strength was broad-based with four of the Fund's nine holdings up more than 30% and only one stock down during the quarter.
- In the Communications Services sector, the Fund held only two stocks in the quarter. One of them, however, was Nexstar Media Group, a large operator of broadcast television stations. Its shares were up more than 45% in the quarter.
- The Utilities sector was the only sector in the index to generate a negative return during the quarter, but the Fund's holdings handily outpaced this result and appreciated. This was mostly due to the more than 30% rise in the shares of Atlantica Yield, a developer and operator of renewable energy generation facilities. Its shares fell in Q1 with the rest of the market, but its heavily contracted sales of electricity with investment-grade counterparties actually become more valuable in a lower interest-rate environment. The market seemed to recognize this in the second quarter.
- Health Care was the sector in which the Fund lagged the benchmark the most in the quarter. For most of the last several years, the Fund has held only two healthcare stocks, Ensign Group and Chemed. This has served the Fund well over time as these stocks have been winners. This quarter, however, Health Care was driven more by biotechnology, which surprisingly represents about 40% of the Russell 2000 Value's allocation to Health Care. None of these stocks pay dividends and they were up 55% as a group in Q2.

## Let's Talk Stocks

The top three contributors in the quarter were:

**Winnebago Industries, Inc. (WGO - \$66.62 - NYSE)** a leading RV manufacturer, has seen a resurgence of the "RV lifestyle" driven by pandemic-related shutdowns and fears. As dealers started to reopen, Winnebago experienced an acceleration in sales. Winnebago continues to benefit from market share gains for its towable segment Grand Designs which posted strong growth in backlog and the motorhome segment is benefitting from its recent acquisition of Newmar and its addition of a luxury component to the lineup.

**BrightSphere Investment Group, Inc. (BSIG - \$12.46 - NYSE)** is a global diversified asset management company with over \$160 billion in assets under management (AUM). The company posted a very good quarter with better-than-expected revenues and earnings while reporting positive inflows in a very difficult environment. Toward the end of the quarter the stock received another boost as BrightSphere was rumored to be a potential acquisition target.

**KB Home (KBH - \$30.68 - NYSE)** is one of the nation's leading homebuilders. The stock has recovered from the large decline last quarter driven by pandemic-related shutdowns halting the strong underlying fundamentals prior to COVID. Demand drivers are expected to accelerate beyond the first-time home buyer as pandemic-related lockdowns could entice urban dwellers to look for more space in suburbs. Additionally, the current



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“work-from-home” dynamic has introduced an aspect of mobility that could further accelerate housing trends with additional support from record low mortgage rates.

The three largest detractors in the quarter were:

**Cadence Bancorporation (CADE - \$8.86 - NYSE)** is a mid-sized commercial bank operating in the Gulf South region of the US. Credit quality has been a concern at Cadence for the last year as it saw some early problems in some of its loan portfolios. Investors expect these to accelerate due to the economic weakness brought on by the COVID pandemic. Cadence built reserves significantly with its first quarter earnings report, but also wrote down most of its acquisition goodwill and cut its dividend significantly.

**ALLETE, Inc. (ALE - \$54.61 - NYSE)** is a small cap utility headquartered in Duluth, MN. Two thirds of its power sales are to industrial companies which include taconite miners (iron-ore used for steel). As a result, ALLETE is one of the more economically sensitive utilities. There are concerns about the current economic environment which is putting pressure on shares as investors worry about the company selling excess power into the depressed wholesale power market. These concerns overshadow the company’s very attractive renewable asset portfolio that is expected to generate about 50% of power produced by 2021.

**CenterState Bank Corporation/South State Bank (SSB - \$47.66 - NASDAQ)** is one of the leading community banks in the Southeastern United States. The merger of CenterState Bank of Florida into South State Bank of South Carolina brings together two banks with a good record of building solid deposit growth and disciplined credit management. Stocks of banks undergoing mergers of equals often lag their peers until the merger is completed and that did not occur for this bank until very late in the quarter.

## Conclusion

In conclusion, thank you for your investment in the KEELEY Small Cap Dividend Value Fund. We will continue to 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 February 28, 2021 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 6/30/2020)

	KSDVX No Load	KSDVX Load	Russell 2000 Value
<b>1 Year</b>	-18.33%	-22.02%	-17.48%
<b>5 Year</b>	0.48%	-0.44%	1.26%
<b>10 Year</b>	7.69%	7.20%	7.82%
<b>Since Inception**</b>	7.95%	7.48%	7.95%
<b>Expense Ratio (Gross)**</b>		1.60%	
<b>Waiver/Expense Reimbursement**</b>		-0.16%	
<b>Expense Ratio (Net)**</b>		1.44%	

*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, 2020

Name	Weight (%)	Name	Weight (%)
Atlantica Sustainable Infrastructure plc	3.25%	Ensign Group, Inc.	2.24%
BrightSphere Investment Group, Inc.	2.75%	Nexstar Media Group, Inc. Class A	2.23%
KBR, Inc.	2.48%	Winnebago Industries, Inc.	2.20%
Primoris Services Corporation	2.38%	Perspecta, Inc.	2.06%
Chemed Corporation	2.26%	Primo Water Corporation	2.01%

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.



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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. 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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Investment Professionals: 800-422-2274  
National Accounts: 800-533-5344  
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