KEELEY Funds

Second Quarter 2022 Commentary

Mid Cap Dividend Value Fund

To Our Shareholders,

For the quarter ended June 30, 2022, the Keeley Mid Cap Dividend Value Fund's net asset value ("NAV") per Class A share fell 12.1% compared to the 14.7% decline in the Russell Mid Cap Value Index. This marked the second consecutive quarter of relative outperformance and brought year-to-date returns to -12.9% versus a 16.2% decline in the benchmark.

Commentary

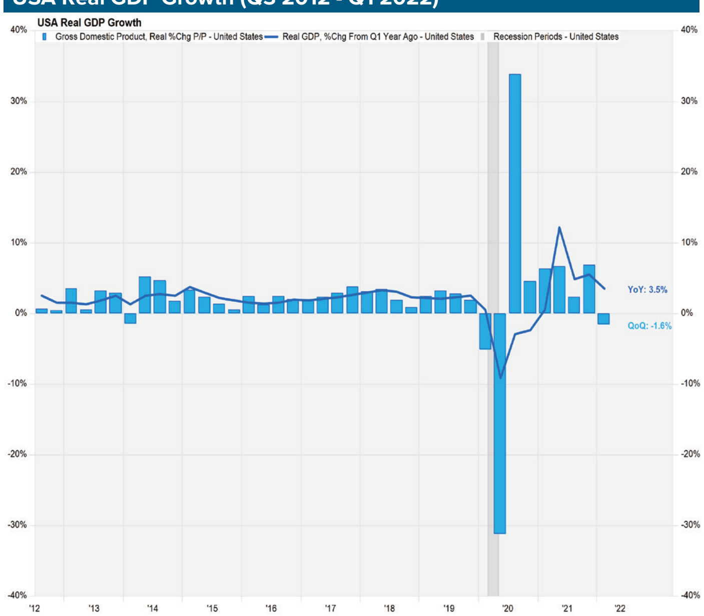
By now, everyone has seen the comment that the stock market experienced its worst first half of the year since 1970 with the S&P 500 losing 20%. Unfortunately, it had a lot of company. Bonds, as measured by the Bloomberg US Aggregate, were down nearly 12%. Investors using the "standard" 60%/40% allocation suffered their worst six months since at least 1975. And the declines were not limited to financial assets. Gold, which one would have thought would do well considering the level of inflation, was down about 1%. Losses in non-precious metals were steeper. Agricultural commodities rose during the first half, but most fell sharply in the second quarter. Even that non-correlated, inflation-hedge bitcoin fell. (We hope it is clear we are kidding about the non-correlated inflation-hedge characterization. And it was down more than 60%!) About the only things to rise in the quarter were fossil fuels and the dollar.

Market Performance

As of June 30, 2022	3 Months	YTD	1-Year
S&P 500 Index	-16.1%	-20.0%	-10.6%
Russell 3000 Value Index	-12.4%	-13.1%	-7.5%
Russell 3000 Index	-16.7%	-21.1%	-13.9%
Russell 2500 Value Index	-15.4%	-16.7%	-13.2%
Russell Midcap Value Index	-14.7%	-16.2%	-10.0%
Russell 2000 Index	-17.2%	-23.4%	-25.5%
Russell 2000 Value Index	-15.3%	-17.3%	-16.3%
Bloomberg Barclays Agg. Bond Index	-4.7%	-10.3%	-10.3%

Source: eVestment.

USA Real GDP Growth (Q3 2012 - Q1 2022)



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

It is not hard to trace the source of investor concerns. The inflationary pressures that have been building for the last couple of years finally showed up in the price indexes. At this time last year, inflation rates of around five percent were being dismissed as transitory. With the pace having picked up to over eight percent this year, the Fed is taking aggressive action to bring price inflation under control. It has already lifted its target rate three times this year, to 1.50%-1.75% from 0.00%-0.25% at the beginning of the year and has signaled that more is to come so that

Important Risk Information

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 6/30/2022. 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.

we may end up at 3.25%-3.50% by year-end.

This presents several problems for investors. For bond investors, it is a clear negative as prices are inversely related to interest rates. With rates as low as they were, the change had a far bigger impact than any had experienced in a long time. For stock investors, higher rates create two headwinds. First, interest rates are one input into the multiple one is willing to pay for a company's earnings and cash flow. Higher rates should translate into lower multiples. This is particularly the case for companies with more distant earnings streams and is probably why growth stocks and stock prices of unprofitable companies have fared so poorly this year.

The second problem comes from the fact that the Fed has begun to take steps to cool the economy at a time when evidence has mounted that growth is already starting to slow. First-quarter GDP growth was negative and the Atlanta Fed's GDPNow index forecasts negative two percent growth in the second quarter. Full-year consensus estimates for real GDP growth have declined to 2.5% from 3.4% at the beginning of the year.

Until recently, falling expectations for real GDP growth had not impacted consensus earnings forecasts as they rose steadily through the first six months. The forward P/E multiple on the S&P 500 has fallen from 21.5x at the beginning of the year to 15.9x at the end of the second quarter. This is close to the average it has traded at since 1999. Multiples for other indexes look relatively more attractive. The Russell 2000, for example, trades at 16.9x, down from 23.5x at the beginning of the year and well below its average since 1999 of 20.6x. The Russell 2000 Value has fallen from 16.0x, which is its long-term average, to 13.4x. As a result of these moves, we would say that the S&P 500 have become more attractive from a valuation standpoint, but smaller companies and value stocks remain more attractive.

The good thing about severe drops in the market like what we have seen over the first six months of the year is that they are unusual. The S&P 500's first half decline of 20% is not only the worst first half for the index since 1970, but also in the bottom two percent of rolling six month returns for it over that period. There are only nine six-month periods since 1970 where the S&P 500 fell more than 20%.

The other positive about this kind of drop is that it has historically presented a good buying opportunity. In eight of the nine previous 20%+ six-month declines, the index was up over the next six months, and it was up in all nine one year later. The average returns were 17% and 32% in the next six and twelve months. Of note, six of the nine observations happened between October 2008 and March 2009. If you had bought after the October datapoint, you would have seen a further 25%-30% decline, before the recovery started in March 2009. Also, of particular interest to us is that small caps generally outperformed during these recoveries.

If we exclude the COVID-induced March 2020 market correction and look at the two big bear markets since 2000, we note significant differences. In 2000-2003, we saw a relatively modest decline in profits combined with a very large decline in valuations. In 2008-2009, we saw a smaller decline in valuations combined with a very large decline in earnings. Neither earnings nor valuations look so stretched as to set up for a large decline. Furthermore, much of the decline we might expect in multiples may have happened already.

We also understand that high inflation, rising rates, war in Europe, and a pending election in the US all create uncertainty. A decline in stock prices generally reduces the risk of the asset class so we come away from the first half cautiously optimistic about what the second half will bring for the markets.

Portfolio Results

For the second quarter in a row, the Fund held up better than its benchmark, the Russell Midcap Value index. The three main drivers of relative performance: dividend vs. non-dividend, Sector Allocation, and Stock Selection, all worked in the Fund's favor. As is often the case in challenging markets, dividend-paying stocks held up better than stocks that do not pay dividends. Within Sector Allocation, slight underweights in the poorly performing Communications Services and Technology sectors and a slight overweight in the Energy sector all boosted relative performance. Stock Selection benefitted relative performance in nine of eleven sectors. The impact was most positive in the Technology, Consumer Staples, and Materials sectors while the Fund's holdings in the Consumer Discretionary sector trailed those in the benchmark.

- While the Information Technology sector was the second worst performing sector within the index, the Fund's holdings declined much less and even declined less than the overall benchmark. The gain in the shares of CDK accounted for most of the outperformance and is discussed later in this update. Even so, all five of the Fund's holdings within the sector performed better than the sector average.

- The Consumer Staples sector was the second best performing of the eleven sectors: trailing only the Utilities sector in the quarter. Even more satisfying was that the Fund's holdings were up, led by a nearly 20% increase in Lamb Weston. This stock will be discussed later in this report, but it is also worth noting that all three of the Fund's holdings in this sector advanced.

- After dragging down relative performance last quarter, the Materials sector helped this quarter. While most of the outperformance can be attributed to the small gain in the shares of Ashland Global, last quarter's detractors Valvoline and RPM declined less than the market this quarter.

- The Consumer Discretionary sector declined more than the market this quarter and the Fund's holdings lagged the sector within the index. The overwhelming majority of the disappointment came from two stocks, Victoria's Secret and Bath & Body Works. Victoria's Secret is discussed in the next section of this update. Bath & Body Works fell after management reduced forward earnings expectations due to sales and margin pressure as well as an increase in planned technology spending.

During the quarter, the Fund made initial investments in three companies and eliminated three holdings.

Let's Talk Stocks

The top three contributors in the quarter were:

CDK Global (CDK - $54.77 – NYSE) is one of the leading providers of dealer management systems to automotive, recreational vehicle, and heavy equipment dealers in North America. Its shares rose sharply during the quarter after the company agreed to be acquired by Brookfield Business Partners (BBU) for $54.87 in an all-cash deal.

Lamb Weston Holdings (LW - $71.46 – NYSE) produces and distributes value-added frozen potato products, most notably French fries, to a variety of customers, including quick-service restaurants, sit-down restaurants, and foodservice operators. During the second quarter, Lamb Weston shares rallied nicely as weather trends emerged that bode well for this year's potato crop. As the growing season has progressed, investors have gained more confidence in a good potato crop and thus a recovery in Lamb Weston's gross margin in the coming year. This is a marked change from last year, when unusually hot weather produced a weaker-than-expected potato crop and resulted in margin and earnings pressure for the company.

Perrigo Company (PRGO - $40.57 - NYSE) manufactures self-care products and over-the-counter (OTC) health and wellness solutions. The stock was one of our top contributors in the quarter despite reporting mixed quarterly results as a couple of potential tailwinds emerged. Frist, Perrigo's infant formula business started to accelerate in the quarter due to Abbott's recall of numerous brands of baby formula. This recall created shortages and Perrigo is operating at full capacity to fill some of that void. Second, the company closed its acquisition of HRA in April which was ahead of its anticipated mid-year close. This acquisition adds a business with strong top-line growth and very attractive margins. Lastly, Perrigo is a likely beneficiary of this inflationary environment as consumers trade down to generic store brands with management noting it is typical to pick up a few points of market share.

The three largest detractors in the quarter were:

Victoria's Secret & Company (VSCO - $27.97 - NYSE) is a retailer that sells lingerie, clothing, and beauty items in stores and online. During the second quarter, Victoria's Secret topped analyst expectations in its first-quarter earnings release, and shares rallied. However, that was not enough to overcome a weak retail environment arising from concerns about consumer spending. And at Victoria's Secret in particular, investors have worried about inflation and other macro pressures dampening consumer demand, and about elevated input costs weighing on margins. Further, in meetings with investors in June, management made clear that they are willing to engage in higher promotional activity to retain market share, which would hurt profitability. That would be a departure for Victoria's Secret, which in recent periods has avoided elevated promotions.

Hudson Pacific Properties (HPP - $14.84 – NYSE) is a real estate investment trust that owns, operates, and acquires office buildings on the West Coast of the U.S. and Canada and leases these buildings largely to technology and entertainment companies. Hudson Pacific also has a joint venture in which it owns 51% of a portfolio media and entertainment production studios. During the second quarter, shares came under pressure as high-tech companies' growth slowed and their share prices suffered. This came on top of general pressure on office REITs due to an era of greater working from home and hybrid work.

Virtu Financial (VIRT - $23.41 — NASDAQ) is one of the largest independent market-makers in stocks, bonds, and commodities. Virtu reported slightly better than consensus quarter results, but earnings declined from a year-ago as the company was up against difficult comparisons due to strong market trading volumes partly driven by the meme stock craze last year. Further weighing on shares was the announcement by the SEC to review the current industry practice of Payment for Order Flow and the resulting uncertainty about the potential impact to Virtu's business. On the positive side, the company has been aggressive in repurchasing stock, retiring about 9% of shares outstanding over the past five quarters.

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.

July 12, 2022

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, 2023 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 6/30/2022)

	KMDVX No Load	KMDVX Load	Russell Midcap Value
1 Year	-8.19%	-12.32%	-10.00%
5 Year	5.70%	4.73%	6.27%
10 Year	9.98%	9.48%	10.62%
Since Inception**	11.16%	10.69%	11.92%

Expense Ratio (Gross)**	1.38%
Waiver/Expense Reimbursement**	-0.18%
Expense Ratio (Net)**	1.20%

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, 2022

Name	Weight (%)
Olin Corporation	1.94%
Molson Coors Beverage Company Class B	1.92%
Perrigo Co. Plc	1.87%
Lamar Advertising Company Class A	1.74%
Diamondback Energy, Inc.	1.72%

Name	Weight (%)
Ensign Group, Inc.	1.71%
Franco-Nevada Corporation	1.70%
OGE Energy Corp.	1.69%
VICI Properties Inc	1.69%
Chesapeake Energy Corporation	1.67%

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.

KEELEY Funds
Direct Shareholders: 800-422-2274
Investment Professionals: 800-422-2274
National Accounts: 800-533-5344
info@keeleyfunds.com

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800-422-2274