



# Small Cap Dividend Value Fund

## 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](http://www.KeeleyFunds.com)

This summary represents the views of the portfolio managers as of 12/31/22. 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,

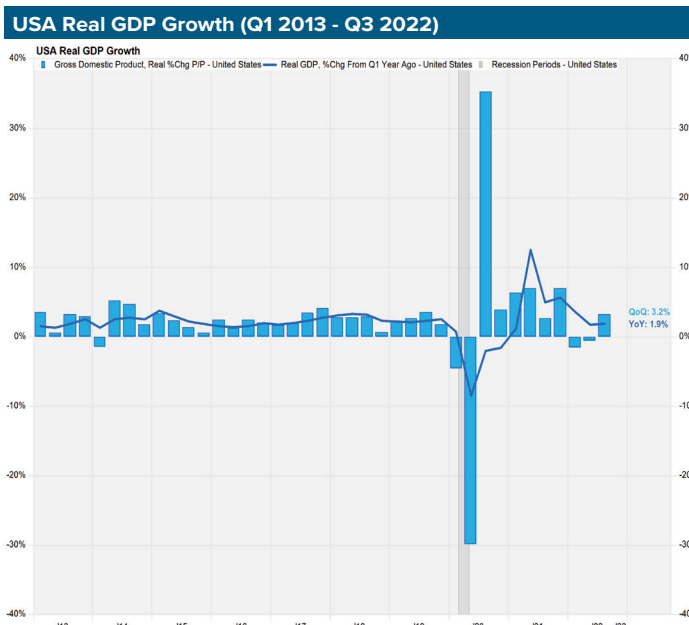
For the quarter ended December 31, 2022, the Keeley Small Cap Dividend Value Fund's net asset value ("NAV") per Class A share increased 13.9% compared with an 8.4% increase in the Russell 2000 Value Index. This marked the Fund's sixth consecutive quarter of outperformance and was the Fund's second-best quarter of relative performance since its 2009 inception. For the full calendar year, the Fund declined 5.8%, outperforming the 14.5% fall in the benchmark by 8.7 percentage points.

## Commentary

Even with a strong fourth quarter rebound most investors are glad that 2022 is over. The S&P 500 was down 18% and the Russell 2000 fell a little more than 20%. International stocks did a little better as the EAFE declined only

Market Performance			
As of December 31, 2022	3 Months	1-Year	3-Year
S&P 500 Index	7.6%	-18.1%	7.7%
Russell 3000 Value Index	12.2%	-8.0%	5.9%
Russell 3000 Index	7.2%	-19.2%	7.1%
Russell 2500 Value Index	9.2%	-13.1%	5.2%
Russell Midcap Value Index	10.5%	-12.0%	5.8%
Russell 2000 Index	6.2%	-20.4%	3.1%
Russell 2000 Value Index	8.4%	-14.5%	4.7%
Bloomberg Barclays Agg. Bond Index	1.9%	-13.0%	-2.7%

Source: eVestment.



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

16% in dollar terms. Unlike previous downturns over the last couple decades, bonds did not provide a safe haven as the Bloomberg Aggregate declined 13%. Commodities fared a little better as energy-related commodities were all up, metals were mixed, and agricultural commodities were mostly higher.

Starting in March, the U.S. Federal Reserve raised the federal funds rate at seven consecutive meetings with a total increase of 4.25%. The stock market fell as interest rates are a key variable in valuing assets and higher rates mean lower values. The multiple on the S&P 500 fell 4.8 points from 21.5x at the beginning of the year to 16.7x at the end. In smaller stocks, the Russell 2000 saw its P/E contract from 23.5 to 19.1. The Russell 2000 Growth index declined 26.4% in 2022 compared with the 14.5% fall in the Russell 2000 Value.

The 400 basis points of increases and nine months of time elapsed since the beginning of the rate raising cycle seem to be starting to impact the inflation numbers. While it is hard to make much of a month or two of data, the year/year rate of core inflation slowed from 6.6% in September to 6.3% in October, and 6.0% in November. The December reading is



# Small Cap Dividend Value Fund

expected to fall further to 5.7%. These numbers remain well above the Fed's 2% target rate, but the trend looks favorable.

Global central banks have embarked on a concerted effort to combat inflation through restrictive monetary policies. As a result, the global stock of negative yielding bonds has dwindled to zero after last month's policy shift by the Bank of Japan. The market value of debt trading at yields below zero approached \$18 trillion in late 2020 as central banks slashed rates and launched huge bond buying through massive "quantitative easing" programs in the wake of the COVID-19 pandemic. This past year marked an end to the era of easy money. The shift to monetary tightening remains a major headwind for equity markets in 2023. A rapidly slowing economy and declining inflation could force the Fed to pivot toward monetary easing sooner than expected, a potential catalyst for a rebound in global markets.

Meanwhile, the economy and markets seem well positioned to absorb a slowdown. Stimulus money granted during the pandemic bolstered the balance sheets of individuals and businesses. While much of this has burned off or been absorbed by inflation, people and the companies they work for appear to be in a healthier position. Second, many of the excesses (negative interest rates, SPACs, profitless innovation) created in the bull market leading up to last year's downturn appear to have at least partly unwound already. Finally, valuations appear more reasonable. While large cap stocks trade above their long-term averages, small- and mid-cap stocks trade well below the averages since 1999.

Several factors make us optimistic that the Small Cap Dividend Value Fund can continue to deliver good relative performance in the periods ahead.

- Small caps remain attractive. After several years of underperforming their larger peers, the relative valuation for small caps is attractive. The Russell 2000 trades at 111% of the P/E of the Russell Top 200 index compared to an average since 1999 of 129%. While this is up from mid-year 2022, you have to go back to 2003 to see this metric this attractive.
- Dividend payers seem to be coming back into favor. After lagging non-dividend payers badly from 2019 through the middle of 2021, dividend payers have been outperforming.
- Finally, the characteristics of the Fund are attractive. With a weighted average Price/2023 Earnings (P/FFO for REITs) of only 10.6x, the Fund appears materially cheaper than the 15.3x for its benchmark, the Russell 2000 Value index. Furthermore, ROA, ROE, and expected growth rate are better for the Fund than the index. Finally, 76% of the holdings in the Fund raised their dividend over the last year and 77% have a payout ratio below 50%.

## Portfolio Results

All three pillars of performance contributed. When we disaggregate performance, we look at three factors: Dividend vs. non-dividend, Sector Allocation, and Stock Selection. In the fourth quarter, all three factors contributed to the Fund's outperformance.

- We estimate dividend-payers within the Russell 2000 Value index outperformed the overall index by about 300 basis points, although this factor is interwoven into the other two factors.
- Sector Allocation (do the sectors where the Fund is overweight/underweight outperform/underperform?) added to relative performance with the largest positive impacts arising from the Fund's underweight in the Health Care sector and overweight in the Industrials sector.



# Small Cap Dividend Value Fund

- Stock Selection (do the stocks held by the Fund outperform the sectors in which they reside?) accounted for the vast majority of the Fund's relative outperformance. The Fund meaningfully outperformed in five sectors, meaningfully lagged in one sector, and was about even in five sectors. The largest outperformance came in the Industrials, Consumer Staples, Health Care, and Energy sectors and only the Financials sector lagged.

The details for those who want to dig deeper.

- Industrials – This sector ranked third within the eleven sectors in the benchmark with a strong performance in the quarter. The Fund's holdings, however, appreciated far more and accounted for about half of the Fund's relative outperformance. All twelve of the Fund's holdings during the quarter appreciated and seven stocks rose more than 20%. Maxar Technologies led the group as it rose more than 175% in the quarter after it agreed to be acquired. It is discussed later in this update.
- Consumer Staples – The Consumer Staples sector lagged the Russell 2000 Value index slightly, but the Fund's holdings performed very well to make it the best performing sector in the Fund with a gain of more than 35%. We would caution that it is a small sector and the Fund only owned three stocks. Nonetheless, all three gained more than 25% in the quarter with the more than 50% rise in Spectrum Brands being the stand-out. It was one of the Fund's top three contributors and is discussed later in this report.
- Health Care – Stocks in the index in the Health Care sector fell during the fourth quarter making it the worst performing of the eleven sectors. The Fund's holdings, on the other hand, appreciated nearly as much as the overall index. While the Fund had a few disappointments (Embecka and Perrigo), long-time holdings Ensign Group and Chemed appreciated 15%-20% in the quarter which drove the strong relative performance. The Fund also benefitted from not owning any stocks in the biotechnology industry. None pay dividends and therefore are not appropriate for this strategy.
- Energy – Despite fourth quarter declines in energy commodities, energy equities were the second best performing sector in the Russell 2000 Value index. The Fund's tilt toward energy service companies rather than exploration and production stocks enabled it to outperform within the sector and add to overall relative performance. Four of the Fund's five Energy holdings were service companies and three of those appreciated more than 30%. TechnipFMC was the third largest contributor to Fund performance and we discuss reasons for its rise later in this update.
- Financials – The Financials sector performed slightly worse than the overall index and the Fund's holdings performed slightly worse than that. We saw a wide dispersion of returns within the twenty-two Financials holdings. Eight stocks were up double-digits, but five declined. Most of the underperformance came in the Fund's holdings in Banks and Insurance companies. In fact, the Fund's biggest detractor was a bank, First Foundation, which is discussed in the next section of this report.

During the quarter, we added four new positions to the Fund and sold four holdings.

## Let's Talk Stocks

The top three contributors in the quarter were:

**Maxar Technologies (MAXR - \$51.74 - NYSE)** is a leading provider of satellite imagery to governments and commercial customers worldwide. It also builds satellites and other space infrastructure for government and commercial customers. Maxar shares advanced more than 175% in the third quarter after the company agreed to be acquired by a private equity group led by Advent International for \$53 per share in cash.

# Small Cap Dividend Value Fund

**Spectrum Brands Holdings (SPB - \$60.92 - NYSE)** is a diversified manufacturer of various consumer products operating in four segments including Home & Garden, Global Pet Care, Home & Personal Care, and Hardware & Home Improvement. It sells leading brands such as Cutter bug spray, George Foreman grills, and KwikSet locks. Near the end of the second quarter, the proposed sale of the company's Hardware and Home Improvement business (HHI) to competitor ASSA ABLOY had been blocked by the US DOJ based on antitrust grounds. In early December, ASSA ABLOY announced it would sell its residential hardware business to Fortune Brands. This should be enough to clear regulatory hurdles to acquire HHI. Spectrum Brands plans on using the expected net proceeds of \$3.5 billion to reduce its debt which should improve its valuation. To put that number in perspective, Spectrum has debt of \$3.1 billion and a market cap of only about \$2.6 billion.

**TechnipFMC plc (FTI - \$12.19 - NYSE)** is a manufacturer of oilfield equipment for both offshore and onshore applications. When reporting third-quarter results, the company indicated that it expects strong results ahead. Management sees the potential for significant order growth in its subsea segment with total orders expected to approximate \$9 billion over the next five quarters compared to \$6.7 billion in orders recorded in 2021. The company also expects to hit its long term 15% margin target in its subsea segment prior to its old 2025 target.

The three largest detractors in the quarter were:

**First Foundation (FFWM - \$14.33 - NASDAQ)** is a bank holding company with banking and wealth management operations in California, Texas, and Florida. Rising funding costs and higher expenses associated with customer accounts led to a large shortfall vs. expectations in First Foundation's third quarter earnings. These factors likely continue to pressure earnings in early 2023. In addition, the resignation of the company's President and the Chief Financial Officer's move to a competitor also spooked investors.

**National Storage Affiliates (NSA - \$36.12 - NYSE)** is a real estate investment trust (REIT) that owns and acquires self-storage facilities across the U.S., mostly in secondary and tertiary markets. Fueled by strong occupancy growth, NSA performed well early in the pandemic compared to other self-storage REITs as its occupancy rate closed the gap it had with larger peers. However, in the fourth quarter, NSA's profit growth decelerated, as expenses were higher and occupancy declined because rate increases finally began to crimp demand. That sparked investor fears of heightened promotional activity as a way to drive customer demand. Also, NSA is dealing with excess self-storage supply in the Portland, Oregon area, which is 9% of NSA's revenues. Despite these temporary headwinds, NSA is a solid operator that should continue making acquisitions and should see fundamentals improve as its markets absorb new supply.

**Embecta Corporation (EMBC - \$25.29 - NASDAQ)** is a diabetes equipment business that Becton Dickinson (BDX) spun off in April 2022. Embecta produces pen needles, insulin syringes and other products. During the fourth quarter, Embecta reported earnings in line with expectations, but guided to earnings in 2023 that were below analyst expectations. Two factors create headwinds in 2023. First, some dynamics that have been known, such as incremental public company costs and higher supply chain and material costs. Second, Embecta plans to spend more on research and development. Embecta has had a rough first nine months as a public company, mostly in communicating reasonable targets. Nevertheless, it is a pretty good business and a cheap stock and has some opportunities in new products that could drive more excitement about its prospects.

## 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.

January 10, 2023



# Small 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 1.29% 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, 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 12/31/2022)

	KSDVX No Load	KSDVX Load	Russell 2000 Value
1 Year	-5.76%	-10.01%	-14.48%
5 Year	4.44%	3.48%	4.13%
10 Year	7.97%	7.47%	8.48%
Since Inception**	9.96%	9.57%	9.73%
Expense Ratio (Gross)**		1.60%	
Waiver/Expense Reimbursement**		-0.18%	
Expense Ratio (Net)**		1.42%	

*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, 2022

Name	Weight (%)	Name	Weight (%)
Maxar Technologies, Inc.	3.03%	ABM Industries Incorporated	1.85%
South Jersey Industries, Inc.	2.23%	Griffon Corporation	1.85%
Ensign Group, Inc.	2.08%	TechnipFMC plc	1.79%
Nexstar Media Group, Inc.	1.90%	Primo Water Corporation	1.72%
Hillenbrand, Inc.	1.89%	Independent Bank Group, Inc.	1.71%

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.





# Small 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. 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

## Distributed By:

G.distributors LLC  
Member FINRA  
800-422-2274