KEELEY Funds

First Quarter 2020 Commentary

Mid Cap Dividend Value Fund

To Our Shareholders,

For the quarter ended March 31, 2020, the KEELEY Mid Cap Dividend Value Fund's net asset value ("NAV") per Class A share fell -34.10% versus an -31.71% decline in the Russell Mid Cap Value Index.

Commentary

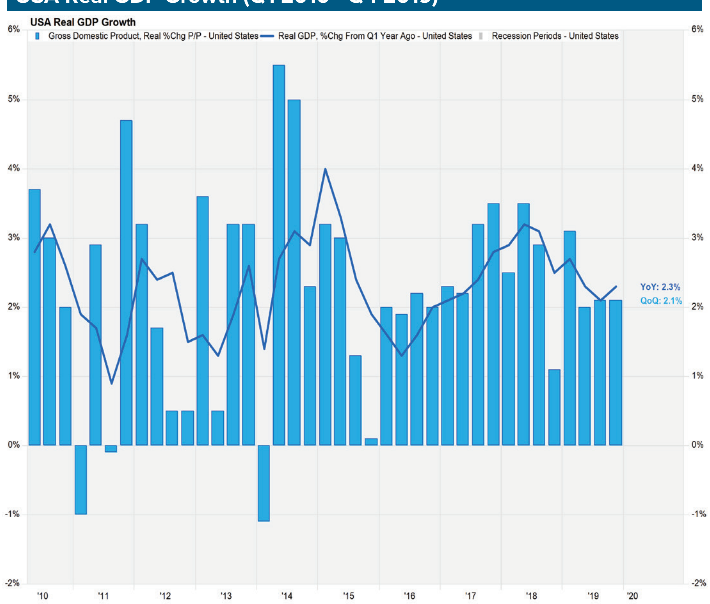
The year started out promisingly with the S&P 500 making new all-time highs in the first quarter. That changed quickly. In fact, the S&P went from a new all-time high to a bear market (down 20%) in a record sixteen days. This is faster than the thirty days it took to enter a bear market in 1929 and the thirty-eight days in 1987. The bear markets that started in 1973, 2000, and 2008 took more than two hundred days to "qualify" as bear markets.

Market Performance

As of March 31, 2020	3 Months	1-Year	3-Year
S&P 500 Index	-19.6%	-7.0%	5.1%
Russell 3000 Value Index	-27.3%	-18.0%	-2.7%
Russell 3000 Index	-20.9%	-9.1%	4.0%
Russell 2500 Value Index	-34.6%	-28.6%	-8.4%
Russell Midcap Value Index	-31.7%	-24.1%	-6.0%
Russell 2000 Index	-30.6%	-24.0%	-4.6%
Russell 2000 Value Index	-35.7%	-29.6%	-9.5%
Bloomberg Barclays Agg. Bond Index	3.1%	8.9%	4.8%

Source: eVestment.

USA Real GDP Growth (Q1 2010 - Q4 2019)



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

Unlike some times when we see rapid changes in stock prices, the move largely reflected an equally quick change in the fundamental outlook. Fueling investor panic was the rapid spread in the U.S. of the coronavirus (COVID-19) pandemic, forcing hospital emergency rooms to the brink of capacity. President Trump declared a U.S. National Emergency as the contagion forced a virtual shutdown of the U.S. economy, forcing closure of factories, schools, restaurants, sporting events, hotels, entertainment, and air travel. California and New York, among other states, ordered residents to stay at home except for essential services. The impact has rippled broadly throughout the U.S. economy, disrupting supply chains, shuttering thousands of businesses and leading to a surge in jobless claims.

The most visible consequence has been the nearly 16 million jobs lost in the US in just three weeks, more are likely. For companies in the travel, hospitality, and services industries, business has slowed to a crawl or stopped altogether. Many formerly healthy companies now face serious financial distress. This is reflected in

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 3/31/20. 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 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.

lower stock prices and higher corporate bond yield spreads.

The Federal Reserve acted very quickly in cutting rates to zero and has been aggressively supplying liquidity and confidence to sectors of the credit markets as they flared up. One of the problems in the 2008-2009 downturn was that some important credit markets stopped working. While the last several weeks have been bumpy, the markets have mostly functioned.

Though catastrophic, this public health crisis will eventually peak and the U.S. economy and financial markets should rebound sharply given the extraordinary liquidity measures undertaken by the U.S. Federal Reserve and global central banks, along with two trillion in fiscal stimulus appropriated by Congress. The powerful combination of monetary and fiscal accommodation should ensure access to bank lines and credit markets by companies requiring bridge financing, while increasing jobless benefits for unemployed workers. We would expect a sharp contraction in U.S. GDP for the first half of 2020, along with commensurate profit declines for U.S. companies. Assuming a peak in the infection rate in the months ahead, the economy should post a strong recovery in the second half of 2020, discounted in advance by equity markets.

As we look ahead, we see opportunity in stocks, particularly small- and mid-cap stocks. Given the high degree of near-term earnings uncertainty, it is a little difficult to know exactly where valuations are, but if we look out a year or two, stocks look attractive. Given the "shock" element to this downturn, we believe that earnings will recover at a faster pace than after the Global Financial Crisis. Given the indiscriminate sell off in equities, prices of so many excellent small and mid cap stocks have been sold down to decade low valuations. We view this market dislocation as an opportunity to reposition the portfolio for longer-term gains. We have selectively upgraded toward best of breed companies, selling at discounts to our calculation of intrinsic value based on underlying asset values, cash flow, and normalized earnings.

Our diversified portfolio holdings comprise companies with sustainable and recurring business models, strong balance sheets and dominant market positions run by top notch management teams driven to enhance shareholder value. As bottom up, fundamental stock pickers, we continue to search for mispriced business gems selling at substantial discounts to their future prospects.

Just as the virus induced market decline is unprecedented, we view the current investment environment with restrained optimism given the compelling valuations of so many excellent mid cap companies. We expect to generate attractive risk adjusted returns over the next market recovery cycle.

Portfolio Results

First quarter results for the Keeley Mid Cap Dividend Value fund fell short of our expectations. One of the attractions of investing in dividend-paying stocks is that they tend to hold up better in turbulent market conditions. That was not the case in the first quarter either for the Fund or for dividend-paying mid-cap stocks in general. The decline in dividend-paying mid-cap value stocks was only slightly less than that for non-dividend-paying mid-cap value stocks at negative 31.4% vs. negative 32.5%, respectively. In addition, our holdings in a couple sectors detracted materially from results.

If we break down the relative performance of the portfolio into the impact from Sector Allocation decisions and Stock Selection choices, we find that Sector Allocation added to performance, while Stock Selection detracted. The positive impact from Sector Allocation was mostly due to cash. We do not allocate to cash, but in a period when the market moves a great deal in one direction even a small cash holding can help or hurt performance.

Three factors drove the underperformance in Stock Selection. Although the impact was spread among several sectors, most of it was in the Real Estate, Communications Services, and Consumer Discretionary sectors. The three broad issues that hurt performance were exposure to travel, investments in companies that depend on advertising, and a tilt toward financials stocks that would benefit from stability in interest rates after last year's declines.

Stocks that were impacted by the decline in travel-related stocks included hotel stocks and timeshare companies as well as an aircraft leasing company. Coming into the year, the consumer looked healthy because of low unemployment, low gas prices, and low interest rates. The spread of the coronavirus not only caused the travel industry to grind to a halt, it also has hurt employment and the outlook for a rebound has not yet developed.

The same root cause undermined conditions in the advertising business. While viewership has jumped for companies like Nexstar Media, an owner of broadcast television stations, advertisers have pulled back on spending as their own business outlooks have deteriorated. This trend not only hurt performance in the Consumer Discretionary sector, it contributed to the underperformance in the Real Estate sector because outdoor advertising company Lamar Advertising fell as the prospects for all advertising have dimmed.

The tilt in the Financials sector was the least impactful of these three factors. Coming into the year, we thought the Fed would be on hold and that the valuations were attractive. As the magnitude of the risk to the economy from the measures needed to contain the pandemic emerged, the Fed acted very quickly by cutting interest rates to zero in a matter of weeks. This creates clear headwinds for banks and life insurance companies. In addition, as the credit markets became disjointed, investors worried about the investment portfolios at insurance companies. The shutdown of businesses across the United States and the steep drop into recession has caused concerns to emerge about the credit quality of bank loan portfolios. As we write this, the Government's intervention appears to be creating some stability in credit markets, albeit at much wider credit spreads. We will get some early indications of how banks are faring in this environment as they report earnings over the next several weeks. Earnings expectations have declined dramatically, but it will still be difficult for investors to gauge the impact of the decline in the economy because of new accounting rules and the impact of the Government's response to the economic slowdown.

The Fund was more active than usual during the quarter as it bought ten new positions and exited eleven holdings in addition to a number of adds and trims. The general theme of the activity was to further upgrade the quality of the portfolio by buying some stocks that we had historically viewed as either too large or too expensive. The sales were a combination of completing the sale of companies being acquired or that had grown larger than our market cap ranges (early in the quarter) and selling down or out of stocks that we felt might not have the balance sheet staying power to weather the recession we are entering. In a couple of cases stocks were sold because we believed had found similar, but better ideas and we used the sale of an existing holding to fund the purchase of the new one.

Let's Talk Stocks

The top three contributors in the quarter were:

Hasbro, Inc. (HAS - $71.55 – NASDAQ) a leading international toy and entertainment company that has iconic brands such as Nerf, Play-Doh, and Monopoly along with a diverse portfolio of licensed brands. We purchased shares this quarter at very attractive prices as the stock sold off on potential supply chain disruptions in China, the rapidly spreading coronavirus, and the lingering impacts of tariffs. We felt that Hasbro's board games and toys could benefit from consumers looking for alternatives during the "stay at home" orders that were enacted across the world to help slow the spread of this highly contagious virus. The stock has appreciated from where we bought it, making it one of the top contributors this quarter. We like Hasbro longer-term given its global reach and high-quality brand portfolio.

Cypress Semiconductor (CY - $23.32 – NASDAQ) designs, manufactures, and sells memory and logic semiconductors used in a wide array of industrial, automotive, and consumer applications. This turned out to be a good trade as the Fund owned the stock for less than a week. We had previously owned Cypress but sold the stock after it agreed to be acquired by Infineon for $23.85 in cash. The stock had been trending toward the buyout price until investors started to worry that the Committee on Foreign Investment in the United States (CFIUS) would not approve the deal. It fell below the price it traded at prior to the buyout announcement. At that point, we thought it was attractive whether the deal was approved or not. When the CFIUS approved the merger, the stock rebounded and was sold.

Pioneer Natural Resources (PXD - $70.15 – NYSE) is one of the leading independent producers of oil in the prolific Permian Basin in Texas and New Mexico. The steep drop in oil prices during the quarter as a result of the COVID-related economic slowdown and the oil price war between Saudi Arabia and Russia drove stocks of oil companies lower. We did not own Pioneer before the fall as it had been above our market cap range. We took advantage of the fall in prices to add this well-operated, well-financed company to the portfolio. Our timing was good, so far.

The three largest detractors in the quarter were:

Brixmor Property Group (BRX - $9.50 - NYSE) shares declined significantly during Q1 as government-imposed measures in response to coronavirus caused the closure of numerous retail tenants whose businesses were deemed nonessential by local governments. While 70% of this retail REIT's shopping centers are anchored by grocers that remain open for business, just 14% of its rental income comes from grocers. That sparked investor worries about the health and status of Brixmor's other tenants. While some of Brixmor's non-essential, small-shop tenants are in jeopardy from continued closure, such tenants make up just 10% of Brixmor's tenant base and many of those may well be eligible for government assistance. There also is a misperception that Brixmor has greater exposure to coronavirus-hit New York City MSA (just 8% of rent) than it actually does. Brixmor's balance sheet is in great shape and should help the firm weather the storm. Also, Brixmor's tenant mix is more robust than popularly believed – some 60% of its space is leased to so-called "essential" retailers which still operate.

Discover Financial Services (DFS- $35.67 - NYSE) is the financial services company that issues the Discover card. It also makes student loans and personal loans. Discover's shares fell sharply during the quarter as investors attempted to assess the impact of rising unemployment due to coronavirus-related business shutdowns on the company's credit card loan portfolio.

Air Lease Corporation (AL - $22.14 - NYSE) is one of the leading commercial aircraft leasing companies in the world. Initially impacted by the continued grounding of Boeing's 737MAX, Air Lease was further hit with concerns over the health of its airline customers, future aircraft demand, and the ability of credit markets to fund its future aircraft purchases. In all prior downturns, air travel demand declined slightly for a short period before resuming its upward trend. Despite COVID-19, the long-term trends in globalization and the rising middle class worldwide will continue to drive aircraft demand. Most of the company's exposure is to foreign carriers whose governments have already implemented support measures and any delays/postponements of new deliveries due to customer request or aircraft supplier (Boeing cutting production schedules) alleviates the company's need for credit. Air Lease also has the youngest, most technologically-advanced fleet and the stock is quite attractive, selling at less than half of its book value.

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.

KEELEY
Funds

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, 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 3/31/2020)

	KMDVX No Load	KMDVX Load	Russell Midcap Value
1 Year	-27.18%	-30.46%	-24.13%
5 Year	-1.11%	-2.02%	-0.76%
Since Inception**	8.04%	7.46%	8.68%

Expense Ratio (Gross)**	1.39%
Waiver/Expense Reimbursement**	-0.17%
Expense Ratio (Net)**	1.22%

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)
March 31, 2020

Name	Weight (%)	Name	Weight (%)
FMC Corporation	2.34%	Black Hills Corporation	1.87%
STERIS Plc	2.24%	Agilent Technologies, Inc.	1.86%
BWX Technologies, Inc.	2.17%	Vulcan Materials Company	1.85%
NRG Energy, Inc.	2.05%	Encompass Health Corporation	1.82%
Oshkosh Corp	1.97%	Hudson Pacific Properties, Inc.	1.78%

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

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