

Fund Commentary – 4th Quarter 2011

The performance reflected herein is for the Class A shares without load.

“Without load” does not reflect the deduction of the maximum 4.50% sales fee (load), which reduces the performance quoted.

Past performance does not guarantee future results.

The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current to most recent month-end performance data may be obtained at www.KeeleyFunds.com

This summary represents the views of the portfolio managers as of 12/31/11. 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.

KEELEY funds

Shareholder Services
888-933-5391
info@KeeleyFunds.com

Distributed by:

Keeley Investment Corp.
Member FINRA/SIPC
312-786-5050
800-533-5344
312-786-5003 fax

In the fourth calendar quarter of 2011, the KEELEY Small-Mid Cap Value Fund (KSMVX) increased 17.45 percent compared to a 15.45 percent rise for the Russell 2500 Value Index. For the full year 2011, the portfolio fell 4.39 percent compared to a 3.36 percent decline for the Russell 2500 Value Index. Despite a year that ended with the S&P 500 Index relatively flat, volatility was extremely high, and the equity markets faced a number of unprecedented events that shook investor confidence. During the periods of severe volatility, investors flocked toward safety, and predictably, the best performing sectors in the Russell 2500 Value Index were defensive areas such as utilities, health care, and consumer staples. These three sectors were the only sectors that ended the year in positive territory. The Small-Mid Cap Value Fund was impacted by an overweight position in the industrial sector and an underweight position in the utilities sector, which increased over 17 percent in 2011.

Although an industrial overweight had a negative impact for the year, that same exposure accounted for the majority of the portfolio's outperformance during the fourth quarter. Many of our positions in the sector rebounded from a difficult third quarter, and displayed the return potential many are capable of if the economic landscape improves. Rail car manufacturer Greenbrier Cos. (GBX) jumped over 108 percent during the quarter, adding 89 basis points of return to the portfolio. We continue to emphasize the industrial sector, ending the year with over 30 percent exposure. In 2011, global economies experienced difficult headwinds, such as an unexpected move in oil prices due to geo-political concerns and supply chain disruptions caused by the tsunami in Japan. This halted the positive momentum that was building early in the year for our portfolio. We are optimistic that the recent improvement in the economy will allow investors to focus more on the strong underlying fundamentals of many of our companies. Consequently, we continue to favor more cyclical names, and we expect progress in the economy to specifically benefit those positions.

Despite optimism for the cyclical areas of the economy, we did take advantage of volatility during the past year to add to more attractive positions and exit holdings that are fundamentally weaker. One example is Foster Wheeler AG (FWLT). The engineering and construction company declined over 49 percent during 2011, and due to pending asbestos litigation and intense competition, we decided to exit the position and allocate the dollars to more attractive opportunities.

In general, we remain cautious with respect to stocks in the financial sector, but we are also aware that valuations are compelling and the sentiment around this sector is extremely negative. Consequently, we believe the area presents many opportunities and after several years of being deliberately underweight, we are in the process of increasing our weight in the sector. A recent addition was Manning and Napier (MN), an asset manager that had an Initial Public Offering (IPO) late in 2011. Due to difficult market conditions, the IPO was favorably priced, providing us with an attractive entry point in a boutique asset management firm that is gaining market share.

We recognize that many of the hurdles that troubled the markets in 2011 remain as potential catalysts for increased volatility in the year ahead. Although Europe was successful in addressing desperately needed short-term liquidity concerns, a more comprehensive long-term solution to the regions solvency issues will be necessary to tame market uncertainty and prevent continued disruptive volatility. These macroeconomic fears abroad and also concerns that the U.S. was entering another recession contained price appreciation in a number of our stocks where the fundamentals improved markedly in 2011. Fortunately, the U.S. economy and especially the U.S. consumer has remained impressively resilient through a challenging employment and housing landscape, and corporate earnings ended the year at record levels. Due to fundamental progress of numerous companies over the past few years, many corporate balance sheets are flush with cash. Consequently, we expected more Merger and Acquisition (M&A) activity in 2011 as we view this as less risky method for companies to expand their businesses. As business leaders regain confidence in the economy, we view M&A as a natural growth strategy and anticipate an acceleration in M&A activity involving our companies in 2012 and beyond.

Lastly, activity in our primary investment theme, corporate spin-offs, materialized nicely in 2011 after below average years in 2009 and 2010. We participated in a number of recent spin-offs over the past six months, and expect the momentum to continue in 2012. The combination of fundamental improvement in our portfolio holdings along with potential changes in the political and economic landscapes in the near future enhances our enthusiasm for the coming year. Thank you for your support of the Small-Mid Cap Value Fund.

AVERAGE ANNUAL TOTAL RETURNS (as of 12/31/2011)

	<u>KSMVX</u> <u>No Load</u>	<u>KSMVX</u> <u>Load</u>	<u>Russell 2500 Value Index</u>
1 Year	-4.39%	-8.65%	-3.36%
Since Inception*	0.09%	-0.95%	0.94%
Expense Ratio (Unsubsidized)		1.78%	
Expense Ratio (Subsidized**)		1.39%	

Stocks of smaller cap companies tend to be more volatile and less liquid than those of large cap companies.

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 Asset Management Corp. ("KAMCO") 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 KAMCO 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 KAMCO. (3) For the purpose of assigning portfolio security holdings to a particular sector and/or industry, KAMCO assigns the securities in accordance with the sector and industry classifications of the Global Industry Classification Standard (GICS) developed by MSCI and Standard and Poor's (to the extent available) as a primary source and FactSet (to the extent available) as a secondary source for this information. In the event KAMCO securities information vendors do not classify a security's issuer to a particular sector or industry or if the published classification appears to be incorrect, KAMCO may classify the security's issuer according to its own judgment, using other securities information vendors, the company description and other publicly available information about the company's peer group. 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.

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 KAMCO. 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. 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 2500 Value Index is an unmanaged index that measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth rates. The 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 All Cap Value Fund, KEELEY Mid Cap Value Fund, KEELEY Small-Mid Cap Value Fund, KEELEY Small Cap Value Fund, KEELEY Small Cap Dividend Value Fund, KEELEY Mid Cap Dividend Value Fund, and KEELEY Alternative Value Fund are distributed by Keeley Investment Corp.

The top ten holdings of KSMVX as of December 31, 2011 include Greenbrier Companies, Inc. (1.47%), Generac Holdings, Inc. (1.38%), Colfax Group (1.21%), Epoch Holding Corp. (1.15%), Arthur J. Gallagher & Co. (1.14%), Kansas City Southern (1.12%), Boston Private Financial Holdings, Inc. (1.12%), Foot Locker, Inc. (1.10%), Wyndham Worldwide Corp. (1.09%) and AMC Networks (1.09%).

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.

**The Fund's Inception date is August 15, 2007.*

***The Fund's Adviser, Keeley Asset Management Corp., has contractually agreed to waive a portion of its fee or reimburse the Fund to the extent that total operating expenses during the current fiscal year exceed 1.39%. The waiver for the Small-Mid Cap Value Fund is in effect through January 31, 2012.*

Investors should consider carefully before investing in the Fund's investment objective, risks and charges and expenses. To obtain an additional prospectus, which contains that information and other information about the Fund, please call us at 800.533.5344 or visit www.keeleyfunds.com. Please read the prospectus carefully before you invest or send money.