

Fund Commentary – 2nd Quarter 2013

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 06/30/13. 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

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In the second calendar quarter of 2013, the KEELEY Small-Mid Cap Value Fund (KSMVX) increased 0.27 percent compared to a 1.54 percent increase for the Russell 2500 Value Index. Despite sluggish economic growth and unnerving comments from the Federal Reserve (Fed), U.S. equity markets continued their climb during the second quarter. After five consecutive years of accommodative monetary policy, it appears that Fed Chairman Ben Bernanke's comments regarding the potential moderation of the Fed's asset purchases had a sharp impact on equity markets. Most indices were down over one percent in June before stabilizing late in the month. Bond markets also reacted to the news with yields rising sharply, sending some fears that higher mortgage rates could put a halt on the critical housing recovery. A number of economic reports were positive such as consumer sentiment and job creation, but the majority of economic data was not strong enough to indicate a sudden pullback in Fed easing. During the second quarter, the Small-Mid Cap Value Fund trailed the Russell 2500 Value Index. Stock selection proved to be the primary cause of our underperformance, with holdings in the industrials and consumer discretionary sectors the main detractors. Our sector allocation had a positive impact during the quarter, led by an overweight position in consumer discretionary stocks, and no exposure to the lagging utilities sector.

Although our overweight position in consumer discretionary names contributed to our performance, stock selection had a negative impact. Specifically, Iron Mountain Inc. (IRM) was the portfolio's second largest detractor during the quarter and the largest in this sector. The protection and storage service provider declined over 26 percent during the quarter and cost the portfolio 25 basis points in return. The company was impacted by a decision by the IRS to create a “working group” to study the agency's definition of “real estate” in order to obtain classification as a Real Estate Investment Trust (REIT). In June of 2012, Iron Mountain applied for a private letter ruling from the IRS requesting tax classification as a REIT, but this decision now clearly places a delay on the ruling, and add uncertainty as to whether or not they will ever receive REIT status. This is definitely a concern, but at today's valuation we believe the stock is attractive, with considerable upside if they receive a positive ruling on the REIT conversion.

The industrial sector had negative impact on our results during the quarter and Terex Corp. (TEX) was the holding that had the largest impact on the fund. The producer of large machinery equipment declined over 23 percent and cost the portfolio 25 basis points in return. The stock declined in late June after the company released disappointing guidance for the remainder of 2013 due to lower than anticipated sales growth. The company does not believe this announcement is evidence of a longer-term issue and we continue to hold the stock.

The best performing position this quarter was Belo Corp. (BLC) which climbed over 40 percent and added 42 basis points of return to the portfolio. Shares of the television operator rose sharply in June after Gannett Inc. (GCI) announced they would acquire the company in an attempt to boost their broadcast portfolio. We liquidated our position shortly after the announcement.

Earlier in the commentary, we talked about Fed policy, and the impact the Fed statements had on the market in June. Fortunately, after the initial announcement several attempts were made to clarify the message, which seemed to have a calming effect on the equity markets. However, due to the “tapering” comments, we anticipate the market will continue to vacillate on each economic data point as it attempts to interpret the next move by the Fed. When the actual tapering does occur, we believe the market will finally turn away from the macro issues and begin to focus on company specific fundamentals; which should favor stock pickers like ourselves. Overall, we believe the backdrop for equities remains favorable. The U.S. economy should grow in the low single digits and low interest rates should continue to stimulate employment growth and the recovery in housing. The majority of our financial institutions are overcapitalized and many corporate balance sheets are sitting with historic levels of cash. Slow revenue growth and the risk of being the next target of an activist investor will lead corporate executives to seek alternatives to organic growth. Consequently, we expect management teams will look to enhance earnings growth and shareholder value through corporate restructuring, potentially resulting in increased M&A activity and additional spin-off opportunities for our portfolios. Thank you for your support of the Small-Mid Cap Value Fund.

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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 1.39% for Class A Shares and 1.14% 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 January 31, 2014.

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

Prior to investing, investors should consider carefully before investing in the Fund's investment objective, risks and charges and expenses. Smaller and medium-sized company stocks are more volatile and less liquid than larger more established company securities. In addition to price fluctuations, REITs have risks related to real estate in general, limited financial resources, less frequent trading and volume constraints.

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.

AVERAGE ANNUAL TOTAL RETURNS (as of 06/30/2013)

	<u>KSMVX</u> <u>No Load</u>	<u>KSMVX</u> <u>Load</u>	<u>Russell 2500 Value Index</u>
1 Year	35.90%	29.80%	26.88%
5 Year	5.98%	5.01%	9.42%
Since Inception*	7.22%	6.38%	6.27%
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Expense Ratio (Unsubsidized)	1.45%		
Expense Ratio (Subsidized**)	1.40%		

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.

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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. 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 June 30, 2013 include A.T. Cross Co. (1.28%), Gencorp, Inc. (1.27%), Monotype Imaging Holdings, Inc. (1.15%), Manning & Napier (1.13%), Delphi Automotive PLC (1.10%), UMB Financial (1.10%), Colfax Corp. (1.09%), Hanesbrands, Inc. (1.08%), NCR Corp. (1.08%), and Fiesta Restaurant Group, Inc. (1.08%).