KEELEY Funds

The Disciplined Discovery of Value®

KEELEY Small Cap Value Fund

First Quarter, 2015 Commentary

In the first calendar quarter of 2015, the KEELEY Small Cap Value Fund (KSCVX) climbed 2.35 percent compared to a 4.32 percent rise for the Russell 2000 Index. After lagging for much of the last twelve months, small cap stocks rebounded in the first quarter, especially in March where they significantly outperformed their larger peers. A potential factor in this outperformance was the continued rise of the U.S. Dollar, which has climbed largely in response to global monetary authorities reacting to a weak growth outlook by easing monetary policies. More than 20 countries have eased monetary policy in 2015 and these extraordinary measures have facilitated a great deal of currency volatility in recent months. The impact of a strong dollar is mixed with respect to the U.S. economy. On a positive note, cheaper import prices will benefit the U.S. consumer and should continue the low inflationary environment that has contributed to recent economic expansion. On the other hand, the stronger dollar will be a headwind for U.S. exports, especially for multinational companies which we believe was a factor in the recent outperformance of small-cap stocks (which tend to have a domestic focus) compared to larger companies. The over 20 percent rise in the Dollar over the past year has also depressed commodity prices, which continues to batter the energy sector but should have a delayed, but positive impact on the U.S. consumer. Progress in the U.S. economy was mixed during the quarter with encouraging developments in the employment landscape with an impressive 295,000 jobs gained in February as well as continued gains in housing. However, soft patches in manufacturing and retail sales should temper enthusiasm about GDP growth rates in 2015. A number of economists as well as the Federal Reserve believe weather was the driving factor in the recent slowdown, and the validity of those beliefs will be a significant debate as we advance through the rest of the year. The Small Cap Value Fund trailed the Russell 2000 Index in the first quarter of 2015. The most significant drag on our results was an underweight position in the "growthier" areas of the Russell 2000, such as technology and healthcare (especially biotech) which were the top two performing sectors during the quarter. These two areas represent over 33 percent of the core Russell 2000 compared to slightly more than 15 percent of the Russell 2000 Value, a benchmark we also to use to evaluate our results. Healthcare was the only sector that produced double digit returns during the quarter, led by biotech stocks which were especially strong. Biotech is an industry that we typically avoid, and although this is a challenge when they perform well, we are comfortable with our lack of exposure to such a speculative short-cycle industry, especially with excessive valuations at the present time. As mentioned, technology also had a negative impact, both through stock selection and a relative underweight. Strong stock selection in consumer staples, industrials, and materials made a positive contribution during the quarter.

Due in large part to a stronger U.S. Dollar, the energy sector continued to be extremely volatile in the first quarter. Although energy stocks did not have a material impact on our results during the quarter, Helix Energy Solutions (HLX) was the Fund's leading detractor after falling over 37 percent and detracting 38 basis points of return from the Fund. Despite having exposure to longer-term, offshore energy projects, Helix was not immune to price pressure given the dramatic weakness in the price of oil. With continued uncertainty around the price of the commodity, coupled with the fact that Helix and other service providers may be more vulnerable to an extended decline, we decided to exit the position during the quarter.

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 3/31/15. 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, 1993.**

Risks: Smaller and medium-sized company stocks are more volatile and less liquid than larger, more established company securities.

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.

The second largest detractor during the quarter was Intrawest Resorts Holdings Inc. (SNOW) which fell over 26 percent and cost the Fund 24 basis points in performance. Shares of the leading mountain resort and adventure company were negatively impacted by the rise of the U.S. dollar, since almost half of their revenue is generated in Canada. Despite the revised guidance due to the currency impact, we believe the long-term fundamentals remain intact.

The Fund's top position during the quarter was Exelis Inc. (XLS), a former spin-off of ITT Corp. (ITT), and Exelis also recently spun-off a division of their own in Vectrus Inc. (VEC). During the quarter the stock rose over 37 percent and added 46 basis points of performance to the Fund. Shares of the defense contractor jumped sharply in February after they agreed to be acquired by rival Harris Corp. (HRS) in a deal valued at $4.75 billion. While we believe there may be good synergies between the two companies, valuations became high enough that we exited the position soon after the announcement.

Overall, despite uncertainty with respect to the Fed interest rate decision, currency markets, and energy prices, we believe the economic backdrop is favorable for equities. Earnings should be stable and we continue to believe we are in a low inflation, moderate growth environment. However, it is difficult to not expect volatility due to the potential impact of the factors mentioned earlier. We anticipate that the broad nature of these factors will be far reaching and produce volatility across different countries, companies, and industries. This should produce a broad range of opportunities for active stock selection. We also believe that with the window closing on the low interest rate environment that companies have enjoyed in recent years, many companies will seek strategic alternatives before rates begin to rise. This could potentially foster more financial engineering in the short-term, including many themes that resonate with our investment philosophy such as spin-offs, corporate actions, divestitures, and industry consolidations, to name a few. We believe these actions can be a catalyst to uncover attractively priced investment ideas that can generate alpha for our Funds over the long-term. Thank you for your support of the Small Cap Value Fund.

KEELEY Small Cap 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 1.39% 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, 2016.

AVERAGE ANNUAL TOTAL RETURNS (as of 3/31/2015)

	KSCVX No Load	KSCVX Load	Russell 2000
1 Year	2.66%	-1.95%	8.21%
5 Year	13.24%	12.21%	14.57%
10 Year	7.98%	7.49%	8.82%
Since Inception**	11.92%	11.68%	9.18%
Expense Ratio (Net)**		1.35%	

**Although the Fund is subject to the waiver reimbursement agreement none has been made

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. 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 Mid Cap Value Index is an unmanaged index that measures the performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth rates. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. The Russell 2000 Value Index measures the performance of 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 MSCI ACWI ex USA Small Cap Index captures small cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 23 Emerging Markets (EM) countries. 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 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, KEELEY Alternative Value Fund, and KEELEY International Small Cap Value Fund are distributed by Keeley Investment Corp.

The top ten holdings of KSCVX as of March 31, 2015 include EW Scripps Co. (1.45%), Gencorp Inc. (1.40%), Alere, Inc. (1.36%), Sensient Technologies Corp. (1.34%), American Axle & Manufacturing, Inc. (1.32%), Mitel Networks Corp. (1.31%), Sabra Health Care REIT, Inc. (1.29%), Chemtura Corp. (1.28%), Flower Foods, Inc. (1.28%), KapStone Paper and Packaging Corp. (1.27%).

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