KEELEY
Funds
A Gabelli Group Company

First Quarter 2024 Commentary

Small-Mid Cap 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

This summary represents the views of the portfolio managers as of 3/31/2024. 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 August 15, 2007.

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.

To Our Shareholders,

For the quarter ended March 31, 2024, the Keeley Small-Mid Cap Value Fund's net asset value ("NAV") per Class A share rose 8.9%, about 280 basis points better than the 6.1% gain in its benchmark, the Russell 2500 Value Index.

Commentary

The fourth quarter's outstanding returns were driven by investors concluding that the Fed had finished raising rates and that cuts were right around the corner. This quarter, those expectations took a hit as the timing for the first cut was pushed out to June from March and even that looks more uncertain than it did three months ago. While the bond market suffered from this change in sentiment, the stock market continued to roll. The broad market, as measured by the S&P 500 rose 10.6% while the Russell 2000 index of small cap stocks gained 5.2%.

Market Performance

As of March 31, 2024	3 Months	1-Year	3-Year
S&P 500 Index	10.6%	29.9%	11.5%
Russell 3000 Value Index	8.6%	20.2%	7.7%
Russell 3000 Index	10.0%	29.3%	9.8%
Russell 2500 Value Index	6.1%	21.3%	5.4%
Russell Midcap Value Index	8.2%	20.4%	6.8%
Russell 2000 Index	5.2%	19.7%	-0.1%
Russell 2000 Value Index	2.9%	18.8%	2.2%
Bloomberg Barclays Agg. Bond Index	9.0%	25.5%	9.3%

Source: eVestment.

Other than investors enjoying gains in both periods, the first quarter had little in common with last year's fourth quarter. The domination of the market by Mega cap tech stocks returned after a fourth quarter pause. Artificial intelligence chip producer Nvidia was the best performing stock in the Russell Top 200 index of large cap stocks. The ten largest stocks in that index gained an average of 17.9% compared to the 8.4% increase in the other 190ish stocks. This contrasts with the 8.1% and 12.1% these two cohorts produced in the fourth quarter. Working further down the capitalization spectrum, the Russell Top 200 rose 10.8%, the Russell Midcap index gained 8.6%, and the Russell 2000 produced a respectable 5.2%. After mixed results in the fourth quarter, growth stocks outperformed value stocks in all three capitalization tiers.

We also saw differences in results across non-equity markets. The rise in the yield on the 10-year Treasury from 3.88% at year end to 4.20% led to a 1.3% decline in the Bloomberg US Aggregate bond index. The dollar was stronger in the quarter, compared to weakness last quarter. Commodities were also higher after faltering last quarter.

The economy in the US continues to surprise skeptics, including us. Historically an inverted yield curve and an Institute for Supply Management Purchasing Managers index reading below 50 presaged a recession. These measures crossed into the warning zone late in 2022, yet the US economy continues to grow solidly. Fourth quarter GDP clocked in at an impressive 3.4% and the Atlanta Fed's GDPNow measure predicts 2.8% for the first quarter. The labor market is less good, but still strong with unemployment under 4% and initial unemployment claims bumping along the bottom. While inflation remains above the Fed's 2% target rate, it has cooled substantially.

- The strong first quarter performance made large cap stocks even more expensive. The Russell Top 200 ended the quarter trading at 21.9 times the next twelve months' earnings, well above the 16.3 average multiple since 1999. This is the 95th percentile of its valuation range, meaning that it has only been more expensive 5% of the time. While the Russell 2000 also trades above its long-term average, 22.8x vs. 20.5x, the relative valuation (R2000 PE/RT200 PE) of 1.04 is in the fifth percentile! While we have been talking about this relative attractiveness for some time, it has been more than twenty years since smaller company stocks were this attractive.

- While the timing of lower of interest rates has disappointed, the Fed continues to signal that it will begin to cut rates this year. Because smaller companies tend to have more variable rate debt, the benefit of lower rates should be seen more in their earnings than those of larger companies. This boost to earnings should help the stocks.

Portfolio Results

The Fund started the year well and continued its streak. The Keeley Small-Mid Cap Value Fund outperformed the Russell 2500 Value index by nearly 300bps, rising 8.9% compared to the 6.1% gain in the benchmark. This marks the sixth quarter in a row of outperformance.

Stock Selection dominated, but Sector Allocation helped a little as well. When we disaggregate relative performance into Sector Allocation and Stock Selection, we see that both factors helped relative performance, but Stock Selection accounted for about 90% of the outperformance.

- Sector Allocation helped slightly. Underweight positioning in the lagging Financials and Real Estate sectors helped, while a slight underweight in Industrials hurt a little.

- Stock Selection was the main driver of outperformance in the quarter. We were very encouraged to see that it was unusually broad-based as selection was a positive contributor to relative performance in all but the Consumer Discretionary sector. Furthermore, no one sector dominated the impact. It was most meaningful in the Real Estate, Materials, Industrials, and Financials sectors.

The details for those who want to dig deeper.

- **Real Estate** – Real Estate is a mid-sized sector that was the second worst performer in the first quarter and one of only two that were down in the quarter. The Fund's holdings performed significantly better and were up. Dispersion among holdings was high, but strong gains in Outfront Media and Lamar Advertising offset losses in Howard Hughes. Earnings results were generally solid across all the holdings, but the reactions varied.

- **Materials** – The Materials sector performed in line with the overall index, but the Fund's holdings produced better returns. Solid fourth quarter earnings results led four of the Fund's five holdings to gain more than 15% in the quarter with Ardagh Metal Packaging the only laggard.

- **Industrials** – The Industrials sector is one of the largest in the index and was tied for the best performance in the first quarter. The Fund's holdings outperformed even this high bar. No one stock drove the sector's strength as eight of the Fund's fourteen holdings in the sector rose by more than 10%.

- **Financials** – Financials is one of the largest sectors and performed poorly in the first quarter. While the Fund's holdings produced better returns than the sector as a whole, they lagged the benchmark as a whole so it was also good to be underweight. We saw a great deal of dispersion in returns among holdings that was not entirely related to sub-sectors. In the banking sub-sector, we had good returns from Chicago-based bank Wintrust Financial, but Tacoma, WA bank Columbia Banking was the Fund's biggest detractor. We will discuss it later in this report. On the non-bank side, financial processing company Wex Inc. generated strong returns while recent spin-off NCR Voyix fell by a high-teens percentage after it reported confusing results. It is also covered in the "Let's Talk Stocks" section.

- **Consumer Discretionary** – This sector generated above index returns in the quarter, but the Fund's holdings lagged. Good results (both stock price and earnings) from Valvoline and Bath & Body Works were offset by poor returns from Victoria's Secret and Wyndham. The decline in Wyndham was mostly due to the abandonment of takeover efforts by Choice Hotels which had been pursuing the company. Also, several of the Fund's holdings just did not do much, which hurts relative performance when the market/sector is up.

During the quarter, we sold one holding.

Let's Talk Stocks

The top three contributors in the quarter were:

Pennant Group (PNTG - $19.63 – NASDAQ) provides clinical care services to patients and residents in three areas: Home Health, Hospice, and Senior Living. The company mostly recovered from pandemic-related headwinds, especially improvement in labor availability, which was the key driver in admission growth trends. Pennant reported a noticeable improvement in admissions this quarter, increasing 12.8% in Home Health and 13.1% in Hospice. Pennant's Senior Living operations showed similar improvements with a 130 bps increase in occupancy to 79%, which is still below the pre-pandemic level of 82%. The company also saw a 10.8% increase in average revenue per occupied room (REVPOR). Pennant has a nice runway for growth over the medium-term driven by continued improvement in underlying business trends, strong demographic tailwinds, and further benefits from accretive acquisitions.

NRG Energy (NRG - $67.69 - NYSE) is one of the largest competitive energy retailers in the U.S. serving over 7.5 million residential customers in addition to commercial, industrial, and wholesale customers. It also operates generation plants that produce more than 15 GW of electricity. The company had a strong finish to a transformational year, positioning NRG as one of the Fund's better contributors for the second consecutive quarter. NRG's quarterly results were solid, with strong EBITDA growth of 77% as the company continues to benefit from its acquisition of Vivint. This marks the third consecutive quarter of enhanced performance from Vivint, and the company sees regional expansion opportunities. NRG also continues to make progress on its cost reduction goals and has identified incremental growth opportunities, including the potential to build up to 1.5 GW of natural gas-fired generation in Texas. NRG maintains its record of rewarding shareholders by increasing the dividend 8% for the fifth consecutive year, along with completing its accelerated share repurchase program.

Vontier Corp. (VNT - $45.36 – NYSE) is a diversified manufacturer of equipment and software services for gas stations and auto dealerships. The company outlined an encouraging earnings and sales forecast for 2024 based on the underlying strength of its Mobility Technologies segment which is seeing stronger demand for alternative energy solutions. Vontier has also launched several new products in its Repair Solutions segment which are gaining traction. The overall growth of Vontier's portfolio has become more visible now that a revenue overhang from a credit card reader mandate has been lapped.

The three largest detractors in the quarter were were:

Columbia Banking System (COLB - $19.35 – NASDAQ) is a $50 billion super-community bank operating in the

Pacific Northwest. It was formed by the merger between Columbia Bank and Umpqua Bank. While the first couple of quarters after the merger were fine, fourth quarter results fell short of expectations as the company did a poor job managing its expenses to account for rising deposit costs. It also has a significant commercial real estate loan portfolio. The latter has been a hot button issue for investors since New York Community Bank announced measures to increase its loan loss reserves. During the quarter, management announced additional cost-cutting actions to get expenses where they should be. While it will take time to play out, both Columbia and Umpqua historically managed credit well and we think that CRE in western US markets is very different than in New York City.

NCR Voyix Corp. (VYX - $12.63 – NYSE) is the legacy point of sale and digital banking business of the company previously known as NCR. It spun-off its ATM business to shareholders in late 2023. Shares were weak following a fourth quarter earnings report that was both confusing and disappointing. Costs and charges related to the spin-off made it difficult to compare results with prior periods. In addition, forward expectations appear to have been lowered in response to a slowdown in the refreshment of POS systems among some of its larger retail clients. At this point, the stock appears undervalued, particularly when considering the potential for the sale of its digital banking business, which we view as a hidden asset.

Embecta Corporation (EMBC - $13.27 — NASDAQ) is a diabetes equipment business that spun off from Becton Dickinson in early 2022 that manufactures needles for insulin injections. The company also has been developing an insulin patch pump that is being reviewed by the FDA. Embecta shares were weak in the first quarter after the firm topped expectations in its fiscal first-quarter earnings release but raised full-year earnings guidance by less than the amount of the first quarter outperformance. In addition, the continued growth in the number of prescriptions issued for weight-loss drugs like Ozempic and Wegovy constrained investor sentiment toward companies like Embecta that are tied to growth in the number of patients with diabetes. Finally, some investors have expressed concerns about Embecta's decision to pursue growth in the form of a patch pump and the capital that the firm would need to devote to commercialize such a product.

Conclusion

In conclusion, thank you for your investment in the KEELEY Small-Mid Cap Value Fund. We will continue to work hard to earn your confidence and trust.

March 31, 2024

KEELEY Funds
A Gabelli Group Company

First Quarter 2024 Commentary

Small-Mid Cap Value Fund

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

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 February 28, 2025 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 3/31/2024)

	KSMVX No Load	KSMVX Load	Russell 2500 Value
1 Year	26.00%	20.30%	21.33%
5 Year	10.01%	9.00%	9.38%
10 Year	6.94%	6.45%	7.69%
Since Inception*	7.87%	7.57%	7.89%

Expense Ratio (Gross)**	1.92%
Waiver/Expense Reimbursement**	-0.40%
Expense Ratio (Net)**	1.52%

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, 2024

Name	Weight (%)	Name	Weight (%)
TechnipFMC plc	2.30%	nVent Electric plc	2.02%
Knife River Corporation	2.16%	Crane Company	1.88%
Equitable Holdings, Inc.	2.07%	Vontier Corp	1.87%
ESAB Corporation	2.06%	MDU Resources Group, Inc.	1.83%
Spectrum Brands Holdings, Inc.	2.04%	PVH Corp.	1.83%

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. Prior to September 30, 2016, holdings returns were based upon price percentage change.

Small-Mid Cap 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. 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.

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