KEELEY Funds
A Gabelli Group Company

Second Quarter 2023 Commentary

Small Cap Dividend Value Fund

To Our Shareholders,

For the quarter ended June 30, 2023, the Keeley Small Cap Dividend Value Fund's net asset value ("NAV") per Class A share rose 0.2% compared with a 3.2% gain in the Russell 2000 Value Index. For the year-to-date, the Fund trails its benchmark by 2.4%, up 0.1% vs. 2.5%.

Commentary

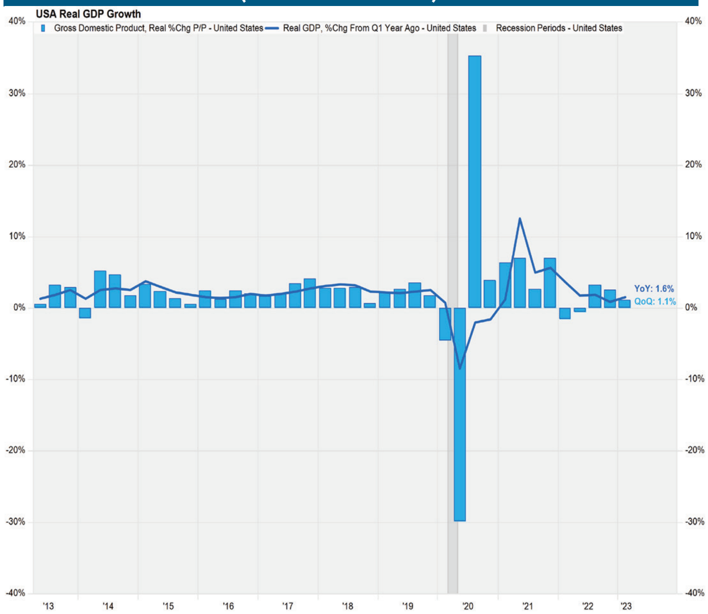
Equities produced solid gains despite rising rates and recessionary fears. In addition, a small group of large cap technology stocks again fueled the rally. Similarities to the first quarter included slowing inflation, falling commodity prices, and reductions in earnings expectations. The most prominent difference was the lack of fear of financial catastrophe in the banking sector, which dominated investor concerns late in the first quarter. In addition, interest rates resumed their upward march after retreating a little in the last quarter.

Market Performance

As of June 30, 2023	3 Months	Year-to-Date	1-Year
S&P 500 Index	8.7%	16.9%	19.6%
Russell 3000 Value Index	4.0%	5.0%	11.2%
Russell 3000 Index	8.4%	16.2%	19.0%
Russell 2500 Value Index	4.4%	5.8%	10.4%
Russell Midcap Value Index	3.9%	5.2%	10.5%
Russell 2000 Index	5.2%	8.1%	12.3%
Russell 2000 Value Index	3.2%	2.5%	6.0%
Bloomberg Barclays Agg. Bond Index	-0.8%	2.1%	-0.9%

Source: eVestment.

USA Real GDP Growth (Q2 2013 - Q1 2023)



Source: U.S. Bureau of Economic Analysis, Factset. Grey represents recession periods.

While midcap and small-cap stocks produced reasonable gains (double-digits if you annualize it), the real action was in the stocks of the largest companies. The Russell Top 200 Index gained 9.9% in the quarter, more than twice the 4.8% gain of the Russell MidCap Index and nearly twice the Russell 2000's 5.5% return in the quarter. Investors also again favored growth stocks with the growth indexes trouncing the value indexes across all market cap categories. The best-performing size/style combination was the Top 200 Growth index which gained 14.4% in the quarter compared with the 3.2% return from the Russell 2000 Value index. This followed a similar performance in the first quarter.

A narrow list of stocks drove the market in the first half. We estimate that the twenty-five largest stocks in the Russell 3000 accounted for about two-thirds of the year-to-date return, about twice their weight in the benchmark. These twenty-five stocks produced average gains of 28% compared with 7% for the other 2,975 or so companies.

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 6/30/23. 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 December 1, 2009.**

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.

Small Cap Dividend Value Fund

Since the Fed started raising rates in the first half of 2022, analysts and investors have expected a recession and have been reducing earnings expectations. Last year, the market fell enough that multiples contracted. The estimate cuts continued this year and picked up a little with the slump in energy prices and the turmoil in the banking sector. At this point, stocks are up and estimates are down, which has increased the forward P/E of the S&P 500 to 19.2x from 16.8x at year-end. This is above the long-term average, but not yet in the danger zone.

Dividends were out of favor. Across the market cap spectrum, dividend-paying stocks lagged the overall market. Sectors that have a higher propensity to pay dividends such as Financials, Utilities, and Real Estate lagged the overall market.

Small and mid cap value equities have become increasingly attractive as the valuation gap between large and small cap stocks has widened to levels not seen in decades. It seems investors have been waiting for a recession to start since the Fed began raising rates in March 2022. Two indicators of a recession appeared last November when the spread between the ten-year Treasury bond and the three-month Treasury bill turned negative. Even with this level of uncertainty, there remain opportunities. Some of the factors that drive our optimism are:

- Small and midcap stocks remain attractive (and have become more so this year) compared to larger cap stocks. The Russell 2000 Index is in the lowest quintile of its historical valuation range relative to the Russell Top 200.

- The same can be said for value stocks relative to growth stocks.

- The Infrastructure Investment and Jobs Act (IIJA) will put $550 billion of new spending into the economy over the next five years. It should boost construction and related sectors significantly.

- Several areas of the economy continue to sustain pent up demand created by supply chain disruptions during the Covid pandemic.

In conclusion, the first half of 2023 was a welcome change from the tough markets a year ago. With interest rates and valuation multiples up and economic growth and earnings estimates down, the outlook remains uncertain. We believe that our focus on superior companies that generate cash in the form of dividends, and our discipline of buying them during favorable periods in their life cycle at attractive valuations, should produce above average returns.

Portfolio Results

The Keeley Small Cap Dividend Value Fund gained 0.2% in the second quarter and underperformed its benchmark by 3.0 percentage points. This broke a streak of seven consecutive quarters of outperformance. We disaggregate performance into three factors: Dividend vs. non-dividend, Sector Allocation, and Stock Selection. In the second quarter, all three contributed to the Fund's performance.

- We estimate dividend-payers within the Russell 2000 Value Index lagged the overall index by more than 250 basis points. In fact, less than one-third of dividend-payers outperformed the benchmark.

- The Fund's overweight stance in Industrials added to relative performance while its underweight positioning in Technology and slight overweight in Consumer Staples detracted.

- Stock Selection was a source of underperformance, although it is hard to separate this impact from the underperformance by dividend-paying stocks. The Fund's holdings outperformed in two sectors, underperformed in six, and were close to even in three. The standouts on the upside were the Energy and Industrials sectors, while the Health Care, Financials, Information Technology, and Real Estate sectors detracted most from relative performance.

- Despite the steep decline in oil prices during the second quarter, small cap stocks in the Energy sector performed in line with the overall index. The Fund's holdings, on the other hand, appreciated much more and were the best performing sector in the Fund. Strong gains in the shares of energy service providers TechnipFMC and ChampionX and a rebound in Chord Energy's stock price drove the outperformance.

- Stocks in the Industrial sector trailed only those in the Technology sector in the quarter. The Fund's holdings kept up with and slightly exceeded those double-digit gains. The performance was broad-based as six of the Fund's Industrial holdings appreciated more than 20%. This included Griffon Corporation and Primoris Services which were among the Fund's top contributors and are covered later in this update.

- While health care stocks in the index generally outperformed, the Fund's holdings lagged in the quarter. Part of the underperformance can be attributed to a lack of biotechnology holdings, as none of them pay dividends. Disappointing performances from Embecta and Premier accounted for most of the shortfall, but none of the Fund's five holdings kept pace with the sector.

- The Fund's holdings in financials slightly lagged those in the index. The Fund saw a couple stocks generate double-digit gains while a couple were also down more than 20%. This included Atlantic Union Bankshares, which was among the Fund's biggest detractors and is discussed later in this report. A lack of holdings in the mortgage REIT sub-sector also hurt relative performance.

- The Fund was underweight in the best performing sector in the benchmark. It was not as underweight as it might appear, however, as several of the Fund's holdings were reclassified out of the Technology sector and into the Industrials and Financials sectors during the quarter.

- While Real Estate holdings did not perform as well as the Russell 2000 Value Index, the real estate stocks in the benchmark performed only a little worse. The Fund's holdings lagged more materially as two holdings, Global Net Lease and National Storage Affiliates, fell by mid-teens percentages. Global Net Lease fell after the company announced a merger with an affiliated company, while NSA has seen earnings expectations fall as concerns about a slower economy rose.

During the quarter, we bought five new stocks, received one as part of a spin-off, and had one stock merged away for cash.

Let's Talk Stocks

The top three contributors in the quarter were:

Griffon Corporation (GFF - $40.30 - NYSE) has prominent brands in consumer home and garden tools, closet organization, and garage doors. In the first quarter, Griffon's shares fell after it reported a weak fourth quarter and did not report any progress on its strategic review process. This quarter, it completed that process unsuccessfully. While initially the shares fell, the company also reported better than expected first quarter earnings and announced a significant share repurchase authorization and dividend increase. The earnings strength was driven by its Home and Building Products segment (garage doors) which achieved 8% sales growth (despite a softer housing market) and record EBITDA margins. To address challenges in its Consumer Products segment, management unveiled a global sourcing initiative which it believes will improve profitability. Finally, Griffon raised full-year guidance to reflect the better-than-forecasted performance in the first half of its fiscal year. With trends better than feared and some thawing in the M&A environment, the shares rebounded.

TechnipFMC (FTI - $16.62 – NYSE) manufactures highly-engineered equipment and systems that are critical to the production of oil & gas in both offshore and onshore projects. Over the last several months, TechnipFMC secured significant orders for subsea equipment in support of several highly visible offshore oil & gas projects. Awards covered projects in Brazil, West Africa, the southern Gulf of Mexico, western Australia, and the North Sea. These wins improve the likelihood that the company will achieve its 2025 margin target sooner than expected and suggest upside to current earnings expectations.

Primoris Services (PRIM - $30.47 – NYSE), a diversified engineering and construction company specializing in pipelines, utility-scale electric transmission and distribution systems, telecom, and heavy civil projects, delivered impressive financial results in the first quarter of 2023. Revenues grew 60% compared to the same period in 2022. The company demonstrated robust performance in its Utilities and Energy segments, benefiting from recent acquisitions and thriving activity in renewables, power delivery, and communications markets. Primoris continues to maintain a record backlog of $5.6 billion, highlighting its successful project wins, particularly in utility-scale solar projects. With its backlog and a strategic focus on secular growth markets such as renewable infrastructure, particularly solar, Primoris is well-positioned to achieve its objectives.

The three largest detractors in the quarter were:

Atlantica Sustainable Infrastructure (AY - $23.44 – NYSE) acquires, owns, and manages renewable and conventional energy projects. It sells the power from these projects to utilities under long-term contracts. In the latest quarter, the company reported results in line with expectations, demonstrating moderate growth in EBITDA and Cash Flow Available for Distribution (CAFD). However, a notable concern arose from the lack of information regarding the potential investment pipeline and the absence of updates or comments from management regarding strategic alternatives to maximize shareholder value. As a result, investors face uncertainty and eagerly await management's update on the scope and timeline of the review's conclusion.

Atlantic Union Bankshares (AUB - $25.95 – NYSE) provides banking services to consumer and business customers in Virginia, with a few locations outside of the state. This has been a tough year for small cap bank stocks as the March failures of SVB Financial and Signature Bank raised concerns about a bank run on all but the largest banks. In the first quarter, shares of almost all bank shares fell on these concerns. Atlantic Union was one of the few that bucked the trend. In the second quarter, however, it caught up as disappointing first quarter results and lower expectations for the rest of the year were received poorly.

Primo Water (PRMW - $12.54 — NYSE) manufactures and distributes water solutions to businesses and households in North America and Europe. Primo largely sells water dispensers that are three gallons or greater in size, which generates substantial amounts of recurring revenue. During the second quarter, investors worried about a first-quarter earnings report that revealed that retailers were managing dispenser inventory tightly. As a result, first-quarter dispenser sales came in well short of expectations. However, retail sell-through of dispensers remained in line with expectations, suggesting that end-user demand had not fallen off, and that the issue solely was one of retailer inventory management — a trend that also was seen in the first quarter across other areas of retail, such as appliances. In addition, at a brokerage conference in late June, Primo management indicated that customer trends remain solid.

Conclusion

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

July 12, 2023

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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 1.29% for Class A Shares and 1.04% 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, 2024 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 6/30/2023)

	KSDVX No Load	KSDVX Load	Russell 2000 Value
1 Year	9.08%	4.17%	6.01%
5 Year	3.63%	2.68%	3.54%
10 Year	6.46%	5.98%	7.29%
Since Inception**	9.58%	9.21%	9.56%
Expense Ratio (Gross)**		1.48%	
Waiver/Expense Reimbursement**		-0.19%	
Expense Ratio (Net)**		1.29%	

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)
June 30, 2023

Name	Weight (%)	Name	Weight (%)
TechnipFMC plc	2.39%	Air Lease Corporation Class A	1.89%
Primoris Services Corporation	2.25%	CareTrust REIT, Inc.	1.83%
Spectrum Brands Holdings, Inc.	2.20%	STAG Industrial, Inc.	1.82%
Ensign Group, Inc.	2.06%	VSE Corporation	1.81%
Hillenbrand, Inc.	2.03%	Nexstar Media Group, Inc.	1.77%

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.

Small Cap Dividend 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. 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. 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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