KEELEY
Funds
A Gabelli Group Company

Third Quarter 2023 Commentary

Small-Mid Cap Value Fund

To Our Shareholders,

For the quarter ended September 30, 2023, the Keeley Small-Mid Cap Value Fund's net asset value ("NAV") per Class A share fell 3.5% compared with a 3.7% fall in the Russell 2500 Value Index. On a year-to-date basis, the Fund is up 4.3%, a bit better than the 2.0% gain in the benchmark.

Commentary

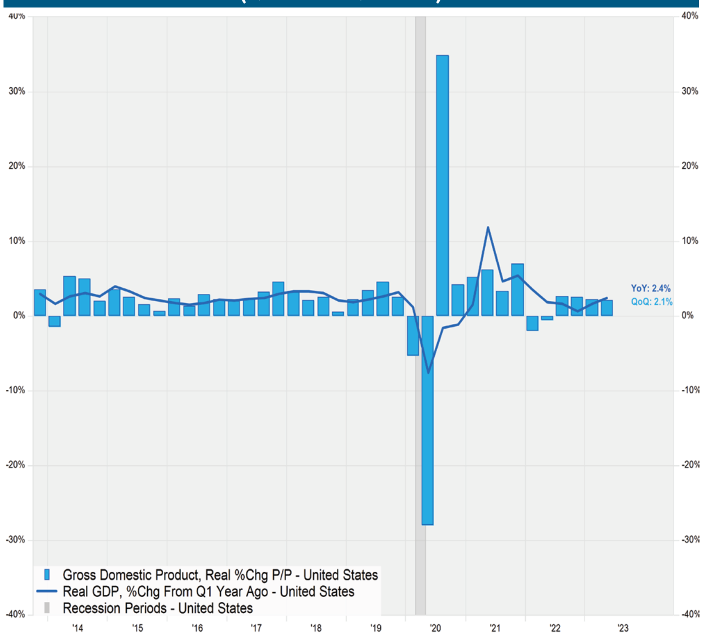
After a strong start to the year and a very good second quarter, stocks retreated somewhat in the third quarter. The third quarter ended with a typically weak September. In the stock market, September is the only month that broadly has a negative average monthly return. Since 1978, the average return for the S&P 500 in September is -0.52%. Over that time period, the market rose in only 51% of Septembers. In most other months, it is up more than 60% of the time.

Market Performance

As of September 30, 2023	3 Months	Year-to-Date	1-Year
S&P 500 Index	-3.3%	13.1%	21.6%
Russell 3000 Value Index	-3.2%	1.7%	14.0%
Russell 3000 Index	-3.3%	12.4%	20.5%
Russell 2500 Value Index	-3.7%	2.0%	11.3%
Russell Midcap Value Index	-4.5%	0.5%	11.0%
Russell 2000 Index	-5.1%	2.5%	8.9%
Russell 2000 Value Index	-3.0%	-0.5%	7.8%
Bloomberg Barclays Agg. Bond Index	-3.2%	-1.2%	0.6%

Source: eVestment.

USA Real GDP Growth (Q4 2013 - Q2 2023)



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

While there have been some famously bad Octobers, on average the market rises. The fourth quarter has historically been the best quarter of the year for stocks with an average quarterly return of 5.4% and a 73% hit rate since 1978.

As we look over the next year, we see both positives and negatives. How they develop will likely determine the course of the market.

Reasons for optimism

- **Economic growth looks strong.** We could point to a lot of indicators here, but the Atlanta Fed's GDPNow currently stands at 4.9%. Nearly 5% growth is a pickup from the first half and the acceleration comes despite a tougher comparison.

- **Estimates have stabilized.** Earnings estimates for the S&P 500 began to fall when the Fed started to raise interest rates. From March 2022 to June 2023, the 2024 estimate fell about 11% and fell almost every month. Since then, it has risen slightly.

- **Valuations do not look stretched.** At the end of the quarter, the forward

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 9/30/2023. 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.

Small-Mid Cap Value Fund

P/E on the S&P 500 was 17.9x. This is up from a year ago and above the long-term average but is not in the "danger zone" where forward returns have been negative. Midcaps and small caps look especially appealing as they both trade below their long-term averages.

• **Seasonality is on our side.** Since 1979, the average return in the fourth quarter of the year has been 5.4% for the S&P 500. It has appreciated in 73% of fourth quarters since then. In the quarters where the market was down in the third quarter, the S&P averaged a 6.7% gain and was up thirteen out of fifteen times.

Causes for concern

• **The recent surge in oil prices could reignite inflation.** While food and energy are typically excluded from many calculations of inflation, energy is an important input into many elements that are included in inflation. If inflation increases, rates will likely go higher, or stay higher longer than investors currently anticipate and will increase the odds of an economic downturn.

• **The rise in longer-term interest rates could persist.** Longer-term interest rates should reflect investor expectations of what short-term rates should average over the longer time period. With the US government's accumulated deficit surpassing $33 trillion and the increase in rates over the last eighteen months, interest expense has become an important expenditure.

• **Earnings estimates for 2024 might be optimistic.** According to FactSet, current consensus estimates project 12% earnings growth for the S&P 500 and 34% growth in profits for the Russell 2000 in 2024.

• **Geopolitical events have cast a cloud on world peace.** The war in Europe and the turmoil in Congress make the geopolitical outlook a bit more unsettled than usual.

Overall, we think the outlook appears fairly balanced. We are excited about the activity level in spin-offs. Through the first three quarters of the year, eight companies had spun from their parents. Four more made their independent debut at the beginning of October and another two are likely before the end of the month. There could be six more between then and the end of the year. Activity, and therefore opportunity, on this front has certainly picked up.

Portfolio Results

The Fund slightly outperformed the Russell 2500 Value benchmark. For the fourth quarter in a row, the Keeley Small-Mid Cap Value Fund outperformed its benchmark. It fell 3.5% in the quarter, about 20bps better than the Russell 2500 Value index.

Sector Allocation and Stock Selection each contributed a little to the outperformance. When we disaggregate relative performance into Sector Allocation and Stock Selection, we see that Sector Allocation and Stock Selection each contributed positively to relative performance. When the aggregate performance difference is not large, it can either arise from large impacts offsetting each other or small impacts accumulating and netting. This quarter was the latter.

• Sector Allocation provided a slight benefit to relative performance. The largest sector impacts came from a slight overweight in the Energy sector, which was the best-performing of the eleven sectors. This was partly offset by a small overweight in the Health Care sector, which was the worst-performing sector.

• Stock Selection also contributed to the Fund's outperformance. No sectors really stood out, but the Fund benefitted from slightly better than benchmark performance in the Industrials and Consumer Discretionary sectors.

It gave back some of this performance in the Real Estate and Materials sectors.

The details for those who want to dig deeper.

• **Industrials** – The Industrials sector performed slightly worse than the Russell 2500 Value index, but the Fund's holdings performed a little better. The Fund did not have any standouts, but four of its holdings were up during the quarter on an absolute basis. On the other side of the coin, it had double-digit losses in Fortune Brands, Hillenbrand, and RXO.

• **Consumer Discretionary** – The Consumer Discretionary sector lagged the benchmark, but the Fund's holdings fell less than those in the index. Like the Industrials sector, the Fund did not have any standouts, but four of the ten holdings were up. Only two, Tri Pointe and Valvoline, produced double-digit losses.

• **Real Estate** – The Real Estate lagged as well, and the Fund's holdings performed even worse. OUTFRONT Media and peer Lamar Advertising accounted for more than all of the negative variance. OUTFRONT was one of the Fund's biggest detractors and is discussed in the Let's Talk Stock section of this update.

• **Materials** – Given the volatility in the market during the quarter, it is a little surprising that Materials was one of the better performing sectors. It was still down a little, but not much. The Fund's holdings performed a little worse than the overall sector. Most of the underperformance can be attributed to the fall in the shares of Summit Materials, but Ardagh Metal Packaging was not far behind. Summit was one of the Fund's biggest detractors and is discussed later in this report. These losses offset a strong performance from recent spin-off Knife River Holdings.

During the quarter, we initiated four new positions and finished the sale of three holdings.

Let's Talk Stocks

The top three contributors in the quarter were:

TechnipFMC (FTI - $20.34 – NYSE) manufactures highly-engineered equipment and systems that are critical to the production of oil & gas in both offshore and onshore projects. Not only was there a significant move up in commodity prices that saw domestic crude oil prices climb to the low-$90 per barrel level from the high-$60s, but Technip FMC also saw a record quarter of orders for subsea equipment in offshore projects. The outlook for the number of offshore projects that may go forward has improved, which gives management high confidence that the elevated order rate in this business is sustainable. Furthermore, the company instituted a framework to return 60% of its free cash flow to shareholders which included the initiation of a regular dividend and the doubling of its existing share repurchase authorization.

Black Knight Inc. is the leading provider of software solutions for the servicing of residential mortgages. The company agreed to be acquired by the Intercontinental Exchange (ICE) in May 2022, but antitrust concerns slowed the process. During the first half of 2023, the company agreed to divest a couple of units that the regulators feared could reduce competition if owned by the same company. This paved the way for the third quarter close of the deal. The stock, which had traded at a wide discount to the deal price due to regulatory concerns, closed the discount and generated a good total return.

ChampionX Corporation (CHX - $35.62 – NYSE) is a market leader in both chemicals used in the production of oil & gas and lifting systems that bring commodities to the surface for gathering in production. Shares of ChampionX clearly benefitted from a favorable backdrop of rising oil prices globally in the wake of OPEC supply reductions. Moreover, management increased its profit margin target because of improved pricing and cost reduction efforts. The company also remains on track to return at least 60% of its free cash flow to shareholders this year. We see a shift toward more offshore oil production as beneficial to the company's production chemical business.

The three largest detractors in the quarter were were:

OUTFRONT Media (OUT - $10.10 — NYSE) is a Real Estate Investment Trust (REIT) that is one of the leading providers of advertising space on out-of-home structures in the form of billboards and transit displays. OUTFRONT reported a difficult quarter as its Transit business continues to be impacted by the slow return to the office, particularly in New York City. This not only led to disappointing in-quarter results but led the company to write down the value of the assets linked to the recent NYC Transit display upgrade. Management also highlighted that it anticipates the weakness in Transit to persist well into 2024. Not all of the news was bad as the core billboard business generated solid revenue growth and the per-board yield increased by 5% year-over-year. Despite the headwinds, we believe OUTFRONT is favorably positioned to benefit from the recovery in Transit once return-to-office trends normalize. Furthermore, it continues to have a large opportunity to convert static billboards to digital, a good source of revenue and earnings growth.

Summit Materials (SUM - $31.14 – NYSE) is a leading construction materials company supplying aggregates, concrete, and asphalt. While the company reported another quarter of strong financial performance, an acquisition announcement in September took the stock down. Summit announced the acquisition of Argos NA, the US cement division of Cementos Argos, which will create the fourth largest cement producer domestically. Summit will pay more than $3 billion comprised of cash and stock. The stock fell more than 7% on the day, reflecting the market's collective dissatisfaction with the deal. There are a couple of reasons for this reaction: first, the increased exposure to cement, which is less appealing than aggregates and increases the overall cyclicality of the business. Second, and perhaps more importantly, it entailed giving up a control premium without receiving a premium in return, as a significant number of shares were used to finance the deal, potentially creating an overhang on the stock. That being said, Summit remains attractive from a valuation perspective, especially when considering the substantial government infrastructure spending anticipated to start in 2024.

Verint Systems (VRNT - $22.99 — NASDAQ) develops and markets software used by its clients to drive customer service interactions over the phone and on-line. Shares fell during the quarter after the company's second fiscal quarter (July) earnings fell short of expectations and guidance and it reduced its forward earnings outlook. In the previous quarter, Verint had seen delays in decision-making at clients due to concerns about the macro environment. This worsened in the July quarter and management is not planning for an improvement in deal timing in the second half. Interestingly, the company did not change its full year outlook as it believes it can offset the shortfall in the year-to-date results and the slower contract signings with better margins and expense controls.

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.

October 10, 2023

KEELEY Funds
A Gabelli Group Company

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, 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 9/30/2023)

	KSMVX No Load	KSMVX Load	Russell 2500 Value
1 Year	17.95%	12.69%	11.34%
5 Year	3.87%	2.91%	3.99%
10 Year	5.58%	5.10%	6.95%
Since Inception*	6.67%	6.36%	6.89%

Expense Ratio (Gross)**	1.75%
Waiver/Expense Reimbursement**	-0.30%
Expense Ratio (Net)**	1.45%

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)
September 30, 2023

Name	Weight (%)	Name	Weight (%)
Black Knight Inc	2.89%	Enact Holdings Inc	1.83%
Spectrum Brands Holdings, Inc.	2.40%	ESAB Corporation	1.75%
Equitable Holdings, Inc.	2.07%	Knife River Corporation	1.74%
GXO Logistics Inc	2.00%	CareTrust REIT, Inc.	1.74%
nVent Electric plc	1.90%	Molson Coors Beverage Company Class B	1.73%

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