Fourth Quarter 2023 Commentary

Small-Mid Cap Value Fund

KEELEY Funds
A Gabelli Group Company

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 12/31/2023. 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.

To Our Shareholders,

For the quarter ended December 31, 2023, the Keeley Small-Mid Cap Value Fund's net asset value ("NAV") per Class A share rose 14.3%, about 50 basis points better than the 13.8% gain in its benchmark, the Russell 2500 Value Index. This closed out a good year for the Fund as it returned 19.2%, a little more than 300bps better than the Index.

Commentary

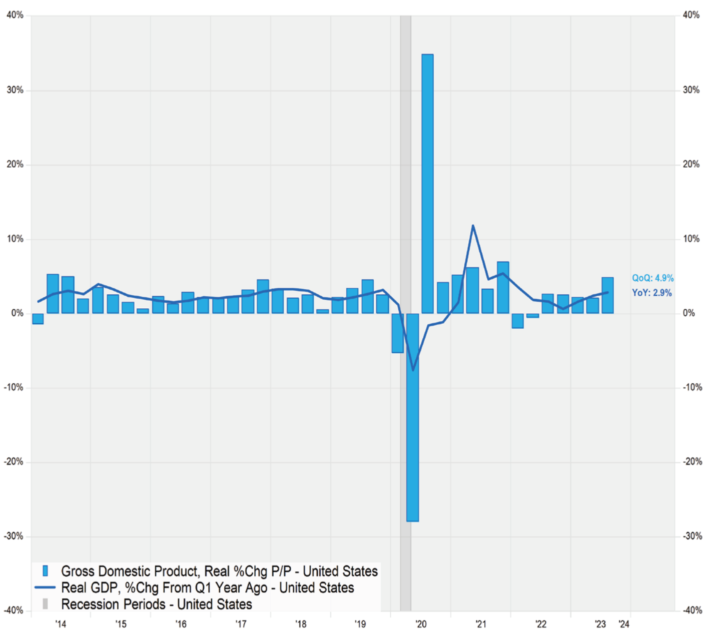
After a difficult 2022 and a choppy first nine months, stocks ended 2023 on a strong note. Growing investor confidence that the Fed is finished raising rates for this cycle drove prices of almost all assets higher. Falling rates drove the bond market, as measured by the Bloomberg Aggregate, to its best quarterly performance since the third quarter of 1982. Its 6.2% return, however, paled in comparison to the double-digit gains produced by the equity market.

Market Performance

As of December 31, 2023	3 Months	1-Year	3-Year
S&P 500 Index	11.7%	26.3%	10.0%
Russell 3000 Value Index	9.8%	11.7%	8.8%
Russell 3000 Index	12.1%	26.0%	8.5%
Russell 2500 Value Index	13.8%	16.0%	8.8%
Russell Midcap Value Index	12.1%	12.7%	8.4%
Russell 2000 Index	14.0%	16.9%	2.2%
Russell 2000 Value Index	15.3%	14.7%	7.9%
Bloomberg Barclays Agg. Bond Index	6.8%	5.5%	-3.3%

Source: eVestment.

USA Real GDP Growth (Q1 2014 - Q3 2023)



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

Stock markets experienced broad-based strength. Fourth quarter equity returns ranged from good to outstanding. On the good end were the 5% gains in international stocks, while US stocks appreciated more sharply with the S&P 500 up 11.7%. Small caps performed even better with the Russell 2000 up 14.0%. Style favored growth for large and mid-caps, but value for small caps.

Interest sensitive sectors performed well. Ten of the eleven sectors gained ground in the quarter with only Energy in the red. Interestingly, Real Estate and Financials were two of the better performing sectors across market cap ranges. Surprisingly, Utilities lagged the strong move in equities despite the fall in longer-term interest rates. The relative ranking of other sectors was fairly size/style specific. For example, the Magnificent Seven (Alphabet, Amazon, Apple, Microsoft, Meta, Nvidia, and Tesla) drove the Technology sector to lead large cap performance, but Technology lagged in the Russell 2000 Value index.

Small-Mid Cap Value Fund

We were particularly encouraged by the outperformance of small and mid-caps. As small- and midcap specialists, we were heartened to see that small cap stocks outperformed large and mid-caps in the core and value styles and mid-caps outperformed large caps in core, value. and growth. The single best performing size/style in the quarter was the Russell 2000 Value which rose 15.3%. This was a substantial change from the first three quarters of the year when that index was down 0.5% compared with the 13% gain in the S&P 500.

Small caps remain attractive even after a quarter of outperformance. We were optimistic that a turn in relative performance was coming, and this may be the start of it. Even with the outperformance this quarter, small caps remain near record low valuations relative to large caps. At year-end, the forward P/E of the Russell 2000 stood at 21.9x. This is 107% of the P/E of the Russell Top 200 index. The average since 1999 has been 128% and the relative multiple has been at this wide a discount to average less than 10% of the time. Value also looks inexpensive relative to growth with the Russell 2000 Value index trading at 16.3x, 47% of the P/E of the Russell 2000 Growth index vs. a more typical 58%.

Spin-off activity was healthy in 2023. Sixteen North American companies completed spin-offs in 2023 and another started the process with a partial IPO. This is one more than 2022's class and two less than the eighteen that separated in 2021. The offers were diverse with eight of eleven economic sectors represented in the mix. As usual, most of the companies that were spun-off fall into the small cap category with the divestiture of GE Healthcare from GE and Veralto from Danaher the notable exceptions.

And the stocks performed well. The average stock appreciated almost 24% from the date it was spun-off through the end of the year. This was good enough to surpass the size-matched index by 8.8 percentage points. In addition, the 2022 class performed very well in its first full year post-spin. We estimate they outperformed their sized-matched benchmark by about 46%! While there were a couple of blow-out gains, twelve of the fifteen stocks outperformed.

Another similarly sized class is on tap for 2024. Fourteen companies have already announced plans to spin parts of their business in 2024. This includes repeat spinners such as GE, Baxter International, and MDU Resources. It also looks like it will be a year for health care spins as Baxter will be joined by Edwards Lifesciences and Medtronic in spinning off new public companies. We are already involved in Southwest Gas, MDU, and Howard Hughes in part due to what we see as hidden value that these transactions should unlock. We look forward to hearing more about the rest of the pipeline and expect further activity on this front.

Portfolio Results

Strong Stock Selection more than overcame the drag from adverse Sector Allocation. When we disaggregate relative performance into Sector Allocation and Stock Selection, we see that Sector Allocation hurt relative performance while Stock Selection contributed positively.

- Sector Allocation (do the sectors the Fund is overweight/underweight outperform/underperform?) detracted from relative performance. Three factors accounted for the negative impact: the impact of the Fund's small cash position in a strong market, the Fund's overweight positioning in the lagging Consumer Staples sector, and small impacts from an overweight in Energy and an underweight in Financials. The last two were the worst and best-performing sectors in the quarter, respectively.

- Stock Selection (do the stocks held by the Fund outperform the sectors in which they reside?) was the main driver of outperformance in the quarter. The impact was particularly strong in Health Care and Consumer Discretionary, but Materials and Utilities were also contributors. Technology was the biggest laggard.

The details for those who want to dig deeper.

- **Health Care** – Health Care is a mid-sized sector that slightly lagged the overall index. The Fund's holdings performed significantly better. While most of the outperformance can be chalked up to the nearly 90% gain in the shares of ZimVie (discussed in the "Let's Tak Stocks" section of this update), six of the Fund's nine holdings outperformed and five were up more than 20%. Only Organon was down.

- **Consumer Discretionary** – This is one of the larger sectors in the index and outperformed the Russell 2500 Value index in the quarter. The Fund's holdings performed very well. Two of the Fund's three largest contributors (Kontoor Brands and PVH) were from the Consumer Discretionary sector, as was the Fund's biggest detractor (Hasbro). These are all discussed later in this report. The Fund's outperformance, however, was driven by more than the two big contributors as eight of the ten sector holdings gained more than 15% in the quarter.

- **Materials** – Materials is a mid-sized sector that performed in line with the overall index. The Fund's holdings outperformed as three of the fund's five holdings gained more than 20% in the quarter. At the top of the group was Knife River, a second quarter spinoff from MDU Resources that maintained the momentum that started at the time of the spin.

- **Information Technology** – Technology is another mid-sized sector that lagged the overall index slightly. While we did not have any disasters and all of the Fund's holdings in the sector appreciated, none kept pace with the sector's total return.

During the quarter, we initiated one new position and received two more as a result of spinoffs from existing holdings. We sold one holding.

Let's Talk Stocks

The top three contributors in the quarter were:

ZimVie Inc. (ZIMV - $17.75 – NASDAQ) was spun off from Zimmer Biomet in early 2022 and consists of two businesses: Dental, which produces dental implants, biomaterials that support implants, and digital dentistry, and Spine, which provides products related to spinal surgeries. ZimVie shares began to rally in early November after the company reported strong third-quarter earnings. The shares really surged in December after the company announced that it will sell its Spine business to a private equity firm for $375 million. Investors long had questioned ZimVie being in two unrelated industries with no synergies, so they rewarded the company's decision to divest the Spine segment and focus on the more profitable Dental segment, which has seen meaningful growth. The fact that the sale price for the Spine business was more than the market cap of the entire company did not hurt either.

PVH Corp. (PVH - $122.12 – NYSE) is an apparel firm that owns two iconic brands, Tommy Hilfiger and Calvin Klein. PVH has been in the middle of CEO Stefan Larsson's "PVH+" turnaround program, which targets a 15% operating margin by 2025. The multi-year turnaround largely has been going smoothly, with PVH continuing to move toward its goal of a 25% reduction in inventory by the end of 2024. In addition, in November, PVH reported favorable early results for the holiday season, with November trends including Black Friday exceeding management's plan in both North America and Europe. PVH also made headway with its operating margin due to improvements in the profitability of its North America business.

Kontoor Brands (KTB - $62.42 – NYSE) owns two well-known jeans brands: Lee and Wrangler, and markets apparel and footwear under these banners. During the fourth quarter, Kontoor reported earnings that beat expectations. Furthermore, it provided upbeat commentary on two fronts: China and overall earnings growth in

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2024. In November, Kontoor leaders told the investment community that they expected their China business to inflect positively in the fourth quarter and that in fact, they already had begun to see evidence of that. Also, management indicated an expectation of accelerated earnings growth in 2024 as Kontoor's gross margin expands due to lower input costs and better product mix. Supporting this outlook, Kontoor has reduced inventories, and the company is seeing strong demand from consumers.

The three largest detractors in the quarter were were:

Hasbro, Inc. (HAS - $51.06 — NASDAQ) is a leading international toy and entertainment company that has iconic brands such as Nerf, Play-Doh, and Monopoly along with a portfolio of licensed brands. The company reported a difficult quarter due to top line weakness that drove an EPS shortfall relative to consensus estimates. Revenues declined 10%, primarily attributed to weakness in the Consumer Products (toys) segment and challenges from the recent Hollywood writers' strike, which impacted the Entertainment segment. This downturn overshadowed robust growth in The Wizards of the Coast and Digital Gaming segment. Looking ahead, management anticipates further revenue challenges in the fourth quarter due to a softer outlook for spending on toys. Although the company aims to offset some of these headwinds through cost reductions, the impact of these efforts is not expected to materialize until 2024.

ChampionX Corporation (CHX - $29.21 – NASDAQ) 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. The company's third quarter results fell below expectations due to slower well completion activity that occurred in September and carried into October. This caused the company to lower its outlook. Despite a decline in commodity prices, management sees growth in its chemical business in 2024 due to an increase in offshore well completions which use more chemicals than onshore wells. Onshore customers are also increasing the intensity of chemicals per well which points to improved growth.

Chart Industries (GTLS - $136.33 — NYSE) manufactures and provides service solutions to liquify gasses in a variety of industries. Chart reported third quarter results that fell short of investor expectations due to several moving parts. Along with results, the company announced a divestiture which made it difficult to compare results with prior periods (and expectations). Chart also saw delays on several large projects that got pushed into 2024 due to some supply chain issues. The company is the main provider of cooling technology for liquified natural gas projects (LNG) which are both lucrative and visible, but the order timing can be elusive. Management believes it will receive these orders in 2024 and expects to grow earnings despite the delays.

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.

January 10, 2024

Fourth Quarter 2023 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, 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 12/31/2023)

	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)
December 31, 2023

Name	Weight (%)	Name	Weight (%)
TechnipFMC plc	2.12%	Kontoor Brands, Inc.	1.90%
ZimVie Inc.	2.01%	NRG Energy, Inc.	1.83%
Spectrum Brands Holdings, Inc.	2.01%	Crane Company	1.81%
Equitable Holdings, Inc.	2.00%	ESAB Corporation	1.78%
Knife River Corporation	1.94%	PVH Corp.	1.75%

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.

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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. 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.

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