KEELEY Funds
A Gabelli Group Company

Second Quarter 2024 Commentary

Mid Cap Dividend 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 6/30/2024. 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 October 1, 2011.

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 800.422.2274 or visit www.keeleyfunds.com. The prospectus/summary prospectus should be read carefully before investing.

To Our Shareholders,

For the quarter ended June 30, 2024, the Keeley Mid Cap Dividend Value Fund's net asset value ("NAV") per Class A share fell 4.3% compared with a 3.4% decline in the Russell Midcap Value index. The Fund remains ahead of its benchmark on a year-to-date basis with a 5.0% gain vs. the 4.5% gain in the index.

Commentary

Only two things mattered in the first half. The dominant theme during most of the first half was the ratcheting down of expectations for interest rate cuts by the Federal Reserve. The year started with investors expecting up to six rate cuts during the year and the first half ended with questions about whether there would be even one. A separate driver of performance for larger cap stocks was growing investor enthusiasm for all things related to artificial intelligence. We saw some of that last year, but even more this year, which drove the shares of Nvidia to be the best performing stock in the S&P 500 in the first half overall and the fourth best in the second quarter.

Market Performance

As of June 30, 2024	3 Months	YTD	1-Year
S&P 500 Index	4.3%	15.3%	24.6%
Russell 3000 Value Index	-2.3%	6.2%	12.9%
Russell 3000 Index	3.2%	13.6%	23.1%
Russell 2500 Value Index	-4.3%	1.5%	11.2%
Russell Midcap Value Index	-3.4%	4.5%	12.0%
Russell 2000 Index	-3.3%	1.7%	10.1%
Russell 2000 Value Index	-3.6%	-0.8%	10.9%
Bloomberg Barclays Agg. Bond Index	0.1%	-0.7%	2.6%

Source: eVestment.

The performance difference between small caps and large caps widened in the second quarter. In the second quarter, the Russell 2000 index of small cap stocks fell 3.3% compared to a 5.7% gain in the Russell Top 200. This built on the 5.5% lead large cap stocks took in the first quarter. According to the brokerage firm Jefferies, the first half underperformance by small caps is its worst since 1973 and the sixth worst since 1929.

Driven almost entirely by the largest companies. The performance of the overall market, as measured by the Russell 3000, shows that the top decile of stocks by market cap accounted for 12.5% of the 13.6% total return. Furthermore, the top ten stocks contributed 64% of the gain (8.0 percentage points). The bottom half contributed almost nothing. It was even more extreme in the second quarter as the largest decile added 9.9 percentage points, while the Russell 3000 was up only 3.2%. The top ten accounted for 6.2 percentage points alone! Furthermore, the simple average of returns was negative for each decile, including the top one and the average stock in the bottom decile declined 9%.

Concentration in the market is at historic highs. We estimate that the top ten stocks now represent 30% of the overall index weight compared with 20% at the end of 2019. The Russell 2000, on the other hand, accounts for only 5% of the total market cap of the Russell 3000. This is a thirty-year low and is about half of what it was in 1994.

The largest stocks are the most expensive. Price appreciation in the largest cap stocks has outstripped their earnings growth so they have become more expensive. We estimate that the average (non-weighted) forward P/E ratio for companies in the top decile of the Russell 3000 is 29x next twelve months' EPS. This compares to 21x for the bottom half. The top ten trade at a 36x average P/E.

Mid Cap Dividend Value Fund

This should eventually matter. The multiple on the S&P 500 stood at 21.9x at the end of June. This is about 1.9 standard deviations above the 20-year average of 16.4x. In contrast, the S&P 400 Midcap and S&P 600 Smallcap indexes trade below their 20-year averages. While the view that the market is not cheap is not wrong given that large cap stocks represent more than 80% of it, it does not mean that there are not opportunities; potentially thousands of them in the areas we focus on!

Let's discuss dividends. We will discuss this topic more in the mid-year version of our Semi-Annual Dividend Tracker but we think it is noteworthy that two of the largest non-dividend payers, Meta and Alphabet, decided to initiate dividends and one of the fastest growing companies in the US, Nvidia, raised its dividend 150% after not changing it for more than five years. These companies generate an enormous amount of free cash flow and do not have great options to deploy it. They are large and highly profitable businesses and most businesses that they would buy are not as good as the one they have or are too small to make a large dent in the free cash flow. Finally, the rise in share prices and interest rate changes the math on the accretion potential of buybacks.

Portfolio Results

The Fund lagged its benchmark in the second quarter. The KEELEY Midcap Dividend Value Fund fell 4.3% in the quarter, slightly more than the 3.4% decline in the Russell Midcap Value index. This offset some of the outperformance generated in the first quarter, but the Fund remains ahead of its benchmark on a year-to-date basis, up 5.0% vs. up 4.6% for the index.

Relative performance was hurt equally by Sector Allocation and Stock Selection. Several factors drive relative performance for the Fund. We have previously cited Dividend vs. non-dividend, Sector Allocation, and Stock Selection. This quarter, relative market capitalization also impacted performance.

- We estimate that dividend-paying stocks in the Russell Midcap Value index outperformed the overall index by 50-75bps in the second quarter. This benefit was offset, however, by the outperformance of the largest stocks in the index, where the Fund is underweight. These stocks, which average $41 billion in market cap, fell only 2.2% compared with the 3.4% decline in the benchmark.

- Sector Allocation was a slight detractor in the quarter. A slight underweight in the Real Estate sector accounted for the largest piece of this.

- Stock Selection also detracted slightly. Selection boosted relative performance meaningfully in two sectors and detracted in two sectors. Relative performance in the remaining seven sectors was not significantly different from the benchmark but was slightly adverse in aggregate. The Fund's holdings in Financials and Health Care outperformed while the Fund lagged in Consumer Discretionary and Information Technology.

More details on performance.

- **Financials** – Financials is the second largest sector and performed in line with the index during the second quarter. The Fund's holdings performed better and actually appreciated slightly. Gains were led by Virtu Financial, which tends to benefit from increases in stock market volatility, and life insurers Equitable Holdings and Reinsurance Group of America which both reported strong earnings. Results in the important banking sector were mixed, an improvement from the last few quarters.

- **Consumer Discretionary** – The Consumer Discretionary sector is the fourth largest and generated losses that were twice as great as those of the index during the second quarter. The Fund's holdings performed worse than that low bar. Eight of the Fund's nine holdings declined in the quarter with three down more than 20%. These were led by PVH Corp. which was the Fund's largest detractor. We discuss it further in the Let's Talk Stocks section of this update.

• **Information Technology** – Information Technology is the fourth largest sector in the index and one of only three to post gains in the second quarter. The Fund's holdings lagged slightly and were down during the period as four of six stocks declined. We generated mixed results in this sector with both one of the three largest contributors (Gen Digital) and detractors (Jabil) residing in this sector. Both are discussed later in this report.

During the quarter, the Fund bought one new position and completed the sale of two holdings.

Let's Talk Stocks

The top three contributors in the quarter were:

NRG Energy (NRG - $77.86 - 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 continued its streak of strong financial results, positioning NRG as one of the Fund's top contributors for the third consecutive quarter. It also completed its $950 million accelerated share repurchase in the quarter. The factor that probably gave the stock an additional boost in the quarter was growing investor recognition that growing electricity demand from artificial intelligence-focused data centers has the potential to outstrip supply growth. NRG has more flexibility to supply this demand and stands to benefit.

GE Vernova (GEV - $171.51 – NYSE) is a leading manufacturer of equipment and systems for electric power generation, transmission, and distribution. GE Vernova was spun off from GE Aerospace (GE) on April 2nd. In addition to reporting a strong inaugural quarter as an independent public company, GE Vernova benefitted from rising investor expectations for rapidly growing power demand fueled by artificial intelligence and data center growth over the next several years. GE Vernova's core products, such as natural gas-powered turbines, will likely be at the center of the needed power supply growth.

Gen Digital Inc. (GEN - $24.98 –NASDAQ), formerly known as Norton Lifelock, is the leading provider of consumer-focused identity protection software. It has grown beyond PC-based anti-virus software to provide a suite of tools that protect users from bad actors online. After a year of digesting the Avast acquisition and seeing some attrition in its user base, GEN returned to growth in the first half of the year. Furthermore, the levelling off of interest rates and the company's ability to pay down debt should reduce pressure on earnings estimates. Overall, the outlook for earnings growth improved over the last six months.

The three largest detractors in the quarter were:

PVH Corp. (PVH - $105.87 – NYSE) sells apparel under the Tommy Hilfiger and Calvin Klein brands. PVH reported its fourth-quarter earnings shortly after the second quarter started and introduced profit guidance for 2024 that was well below analysts' prior expectations. Macroeconomic issues in Europe and cautious orders for autumn from retailers there — particularly in the United Kingdom and Germany – drove the lower guidance. PVH is responding to this likely temporary pressure by keeping a lid on costs and holding the line on inventory. Its first-quarter earnings results, which were also reported during the second quarter, showed improvement. Based on an early read on the spring 2025 product line, that season could prove better for PVH.

Jabil Inc. (JBL - $108.79 — NYSE) is one of the leading contract manufacturers in the world. In addition to serving the electronics industry, it has significant business manufacturing medical, industrial, and automotive components. After navigating pandemic-related supply chain disruption exceedingly well, Jabil has reported uneven results over the last few quarters. Excess inventory at some of its customers and weakness in end markets such as electric vehicle components and renewable energy have created demand softness. This led to missed targets and falling expectations. In addition, the unexpected resignation of the company's CEO after a short tenure did not help. At the same time, the sale of Jabil's Mobility division and the subsequent return of the proceeds to shareholders boosts the company's longer-term returns profile and EPS potential.

Molson Coors Beverage Company (TAP - $50.83 – NYSE) is a prominent global beer company recognized for its iconic brands like Molson, Coors, and Miller Lite. The company reported a solid quarter, surpassing expectations across the board. However, the messaging from management was mixed, highlighting volatile April trends that resurfaced concerns about Molson Coors' ability to retain outsized market share gains and structural weaknesses in its core beer category. Despite a strong quarter, management chose not to increase full-year guidance, providing additional validity to potential growth concerns. It is likely that Molson Coors will return some market share back to Ambev (Budweiser), but the stock trades at too wide of a discount to peers after factoring in improvements in profitability and the balance sheet.

Conclusion

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

June 30, 2024

Second Quarter 2024 Commentary

Mid Cap Dividend Value Fund

*The Fund's inception date is October 1, 2011.

**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 1.20% for Class A Shares and 0.95% 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

AVERAGE ANNUAL TOTAL RETURNS (as of 6/30/2024)

	KMDVX No Load	KMDVX Load	Russell Midcap Value
1 Year	13.02%	7.95%	11.98%
5 Year	8.17%	7.17%	8.50%
10 Year	7.77%	7.28%	7.60%
Since Inception*	11.48%	11.08%	11.81%
Expense Ratio (Gross)**		1.41%	
Waiver/Expense Reimbursement**		-0.21%	
Expense Ratio (Net)**		1.20%	

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, 2024

Name	Weight (%)	Name	Weight (%)
NRG Energy, Inc.	2.45%	Allison Transmission Holdings, Inc.	1.86%
Gen Digital Inc.	2.38%	Lamar Advertising Company	1.85%
Jabil Inc.	2.02%	Diamondback Energy, Inc.	1.78%
The Ensign Group, Inc.	1.98%	KB Home	1.78%
Equitable Holdings, Inc.	1.86%	UGI Corporation	1.78%

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.

Mid Cap Dividend Value Fund

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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. 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. 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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