KEELEY
Funds
A Gabelli Group Company

Second Quarter 2024 Commentary

Small-Mid Cap Value Fund

Important Risk Information

The performance reflected herein is for the Class A shares without load.
"Without load" does not reflect the deduction of the maximum 4.50% sales fee (load), which reduces the performance quoted. Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current to most recent month-end performance data may be obtained at www.KeeleyFunds.com

This summary represents the views of the portfolio managers as of 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 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 800.422.2274 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 Small-Mid Cap Value Fund's net asset value ("NAV") per Class A share declined 4.1%, better than the 4.3% fall in its benchmark, the Russell 2500 Value Index. For the year-to-date, the Fund is now up 4.5% compared to the 1.5% rise 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.

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 continued its streak of outperformance. The Keeley Small-Mid Cap Value Fund outperformed the Russell 2500 Value index by about 20bps in the quarter, falling 4.1% compared to the 4.3% drop in the benchmark. While modest, this marks the seventh quarter in a row of outperformance.

Sector Allocation and Stock Selection contributed about equally to relative performance. When we disaggregate relative performance into Sector Allocation and Stock Selection, we see that both factors helped relative performance. In a low return/low alpha environment it is easier for Sector Allocation to match the impact of Stock Selection and we saw that this quarter.

- Sector Allocation helped slightly. The lion's share of the relative outperformance came from a small overweight in the Utilities sector, the only sector in positive territory this quarter.

- Stock Selection contributed slightly more to relative performance during the quarter. The Fund outperformed meaningfully in only two sectors, but only lagged meaningfully in one. Most were ahead or behind by a little with the aggregate slightly negative. The biggest contributions from Stock Selection came in the Financials and Energy sectors, while the Consumer Staples sector was the biggest detractor.

More details on performance.

- **Financials** – Financials is the second largest sector in the Russell 2500 Value index, and it performed slightly better than the benchmark. Within the portfolio, seven stocks rose and seven fell and the aggregate was positive vs. negative for the benchmark. The contributors were led by ATM maker NCR Atleos which was one of the Fund's top contributors. We discuss it in the Let's Talk Stocks section of this update. Strong earnings results from life insurer Equitable Holdings and market maker Virtu Financial drove gains in their stocks while long-time holding WEX Inc. slumped after noting some caution about the revenue trajectory at a large client.

- **Energy** – Energy is a relatively small sector within the index but performed better than the overall benchmark during the second quarter. The Fund's holdings outperformed and were up during the quarter. Half of the Fund's six stocks were up during the quarter and gains were led by recent portfolio addition Sable Offshore Corp. This former SPAC seeks to bring new life to an oil field off the coast of California that was previously operated by ExxonMobil.

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- **Consumer Staples** – The Consumer Staples sector is the second smallest amongst the eleven sectors and performed slightly better than the index in the quarter. The Fund is significantly overweight as there has been a fair amount of restructuring activity there over the last few years. The sector includes one of the Fund's largest contributors, Primo Water, which is discussed later in this report. Unfortunately, the strong gain in Primo did not offset declines in Molson Coors and Lamb Weston, which were both down more than 20% in the quarter.

During the quarter, we added five new holdings to the Fund.

Let's Talk Stocks

The top three contributors in the quarter were:

Pennant Group (PNTG - $23.19 – NASDAQ) provides clinical care services to patients or residents in three areas: Home Health, Hospice, and Senior Living. The company reported another strong quarter with accelerating revenue, EBITDA, and EPS growth, placing Pennant Group shares as one of the fund's top contributors for the second consecutive quarter. This quarter saw continued strong growth in admissions for both Home Health and Hospice. Pennant's Senior Living operations are also showing improvements in occupancy, although they remain below the pre-pandemic levels. Revenue per occupied room also improved. Pennant has a nice runway for growth over the medium term, driven by continued improvement in underlying business trends, strong demographic tailwinds, and further benefits from accretive acquisitions.

Primo Water Corporation (PRMW - $21.86 - NYSE) is a North American drinking water solutions provider that operates through a variety of channels including the sale of water dispensers, the delivery of pre-filled bottles of water, and self-service drinking water refill stations at grocery stores. Primo has been on a longstanding journey to improve its business, including exiting carbonated soft drinks, divesting coffee and tea businesses and most recently, selling most of its international businesses. In the second quarter, Primo shares rallied as the company reported better-than-expected earnings and increased its guidance for the year. In addition, throughout 2024, investors became more drawn to the pure-play nature of Primo — both product-wise and geography-wise — and to the company's increasingly consistent execution of late. Late in the second quarter, Primo announced that it plans to merge with private equity-owned Blue Triton, which is a route-based bottled water business that at one time had been owned by Nestle.

NCR Atleos Corporation (NATL - $27.02 – NYSE) is the leading global maker and servicer of automated teller machines (ATMs). The company represents roughly half of the old NCR Corporation, having been spun out of what is now called NCR Voyix late last year. Strength in the quarter came from solid, and less confusing, financial results in the quarter. NATL is a very cheap stock at less than less than 6x EV/EBITDA. It also has an interesting transition story as it builds more recurring revenue into its business mix. The most recent quarter showed evidence of this transition and helped to close the valuation gap a little.

The three largest detractors in the quarter were were:

Fortrea Holdings (FTRE - $23.34 – NASDAQ) provides contract research services to pharmaceutical, biotech and medical device customers conducting phase I through IV clinical trials during new product development. Fortrea spun off from Labcorp in mid-2023. During the second quarter, Fortrea shares declined after the company reported revenues and earnings below expectations and lowered full-year guidance. On its earnings call, management attributed the revenue shortfall to fewer new business wins prior to the spin-off. In particular, Fortrea's leaders stated that the revenue shortfall arose due to a couple of projects not coming to fruition. The management team insisted that it continues to see solid demand from Pharma and biotech firms. In addition, Fortrea's management said the quantity of opportunities in their funnel is strong, as is their win rate.

PVH Corp. (PVH - $105.87 – NYSE) sells apparel under the Tommy Hilfiger and Calvin Klein brands. PVH reported its fourth-quarter earnings release 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.

Vestis Corporation (VSTS - $12.23 — NYSE) rents uniforms and workplace supplies, such as mats, towels, linens, and restroom supplies, to companies. One of the leading players in North America in its industry, Vestis spun off from large outsourcing firm Aramark in the fall of 2023. During the second quarter, Vestis reported a very disappointing quarterly earnings report, driven by a significant revenue shortfall. Management cited a variety of issues behind the lower-than-expected sales, most of which related to operational challenges such as product shortages, errors in the loading of trucks, and slower progress in ramping up new business wins. While these items all seem like basic blocking and tackling, it was disappointing that these problems emerged after Aramark spun off the company. In response, Vestis management decided to dial back on subjective and off-cycle price increases while the company works to improve operations. That decision, which is aimed at retaining customers longer-term, will pressure profits further in the short run. These seem like fixable issues.

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.

June 30, 2024

Second Quarter 2024 Commentary

Small-Mid Cap Value Fund

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

The Fund's adviser has contractually agreed to waive a portion of its management fee or reimburse the Fund if total ordinary operating expenses during the current fiscal year as a percentage of the Fund's average net assets exceed 1.39% for Class A Shares and 1.14% for Class I Shares. The waiver excludes expenses related to taxes, interest charges, dividend expenses incurred on securities that a Fund sells short, litigation and other extraordinary expenses, brokerage commissions and other charges relating to the purchase and sale of portfolio securities. The waiver is in effect through February 28, 2025 and neither the Fund's adviser nor the Fund can discontinue the agreement prior to its expiration. **The expense ratios presented herein are for the Class A shares.

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

	KSMVX No Load	KSMVX Load	Russell 2500 Value
1 Year	15.24%	10.01%	11.24%
5 Year	8.72%	7.72%	8.01%
10 Year	6.18%	5.69%	6.77%
Since Inception*	7.48%	7.19%	7.49%
Expense Ratio (Gross)**		1.92%	
Waiver/Expense Reimbursement**		-0.40%	
Expense Ratio (Net)**		1.52%	

Stocks of smaller cap companies tend to be more volatile and less liquid than those of large cap companies.

Top Ten Holdings (Percent of Net Assets)
June 30, 2024

Name	Weight (%)	Name	Weight (%)
Equitable Holdings, Inc.	2.29%	NRG Energy, Inc.	1.89%
The Pennant Group, Inc.	2.05%	MDU Resources Group, Inc.	1.87%
Spectrum Brands Holdings, Inc.	2.02%	Kontoor Brands, Inc.	1.79%
TechnipFMC plc	2.02%	Tri Pointe Homes, Inc.	1.75%
Knife River Corporation	1.92%	The Ensign Group, Inc.	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.

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Small-Mid Cap 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. 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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