



# Small 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](http://www.KeeleyFunds.com)*

This summary represents the views of the portfolio managers as of 9/30/24. 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 800.422.2274 or visit [www.keeleyfunds.com](http://www.keeleyfunds.com). The prospectus/summary prospectus should be read carefully before investing.

## To Our Shareholders,

For the quarter ended September 30, 2024, the Keeley Small Cap Dividend Value Fund's net asset value ("NAV") per Class A share gained 10.1% compared with a 10.2% increase in the Russell 2000 Value Index. Year-to-date, the Fund is up 15.1% while the benchmark rose 9.2%.

## Commentary

**Fed pivot.** A little more than a year after its last increase, and about six months after investors expected it to move, the Fed finally cut rates on September 18th. With growth in the Consumer Price Index slowing to 2.5% in recent readings, well off the 9.1% highs set in June 2022, the Fed seems satisfied that it has brought inflation under control. It had signaled its intention to lower rates throughout the late summer. At 5.0%, the Fed Funds target

rate remains well above the rate of inflation, so it seems more cuts are in store. Indeed, Chairman Powell suggested that another 0.5% is likely to come out of the benchmark rate by the end of the year. Furthermore, the futures curve forecasts an additional 100-150 basis points of reductions during 2025.

**Great rotation.** The other summer development important to investors in the Keeley Funds is that small caps

Market Performance			
As of September 30, 2024	3 Months	YTD	1-Year
S&P 500 Index	5.9%	22.1%	36.4%
Russell 3000 Value Index	9.5%	16.2%	27.6%
Russell 3000 Index	6.2%	20.6%	35.2%
Russell 2500 Value Index	9.6%	11.3%	26.6%
Russell Midcap Value Index	10.1%	15.1%	29.0%
Russell 2000 Index	9.3%	11.2%	26.8%
Russell 2000 Value Index	10.2%	9.2%	25.9%
Bloomberg Barclays Agg. Bond Index	5.2%	4.4%	11.6%

Source: eVestment. During the third quarter, the Russell 2000 index of small cap stocks outperformed the Russell Midcap index which outperformed the Russell Top 200 index of large cap stocks. The 2000's gain of 9.3% bested that of the large cap index by 410 basis points in the quarter. On a year-to-date basis, however, small caps have a bit of catching up to do as the Top 200 is up 23.3% at the three-quarter mark compared to the 11.1% gain in the Russell 2000.

**Value investing returns.** We saw further good news from the relative performance of value stocks compared to growth stocks. Value stock performance exceeded that of growth stocks. Large caps saw the greatest difference as the Russell Top 200 Growth index rose only 2.8%, well behind the 9.1% increase in large cap value stocks. For small caps, the difference was a narrower 1.8 percentage points, 10.2% for value stocks vs. 8.4% for growth stocks. Many of the "value" sectors drove the performance in the third quarter. Within the Russell 2000, Real Estate, Communications Services, Financials, and Utilities paced performance. Energy was down and Technology was the second worst performing sector.

**Momentum appears positive.** We concur with the market's expectation for additional rate cuts. The Fed seems to be on the path to setting its target rate at something approaching neutral. That would be a big change because it has been either stimulative or restrictive for about fifteen years. Our optimism about small/mid cap and value stocks rests on three pillars: Earnings growth, valuation, and composition.

- Analysts expect small cap stocks to produce the fastest earnings growth in 2025. The S&P SmallCap



# Small Cap Dividend Value Fund

600 is projected to grow 21% in 2025 compared with 17% for the S&P MidCap 400 and 15% for the S&P 500. Furthermore, earnings growth for value stocks is expected to outstrip that of growth stocks, 27% for value vs. 15% for growth in the S&P 600.

- Small caps and value stocks are historically very cheap. In fact, the forward P/E ratios for the S&P 600 and S&P 400 are below their twenty-year averages. At the same time, the S&P 500 is two standard deviations above its long-term average. On a relative basis, the S&P 600 trades at 78% of the P/E of the S&P 500 compared with a long-term average of 113%. Value looks slightly cheap relative to growth for small caps (91% relative P/E vs. 94% average) and very cheap for midcaps (76% vs 84%).

- Finally, the sectors that drove third quarter results could continue to outperform while the Fed lowers rates. Sectors such as Financials, Real Estate, and Utilities comprise much greater percentages of the small cap and value benchmarks than they do of the large cap indexes. For example, Financials account for 28.1% of the weight of the Russell 2000 Value benchmark, but only 5.5% of the Russell Top 200 Growth index. Real Estate and Utilities combine for 16% of the Russell 2000 Value and less than 1% of the Russell Top 200 Growth. These sectors generated lackluster returns for several years before 2024 and their valuations remain below average.

**Dividend paying stocks should continue to perform well.** Some of these factors also impact dividend paying stocks. After lagging in the first quarter, dividend paying stocks outperformed in the second and third quarters. If the value rally continues, dividend paying stocks likely continue to outperform as the “value sectors” have a much higher propensity to pay dividends than other sectors, particularly among smaller companies.

Our job is to find attractive investments in companies that can weather the uncertainty, and we will continue to do so.

## Portfolio Results

**The Fund performed in line with its benchmark during the third quarter.** The Keeley Small Cap Dividend Value Fund gained 10.1% in the quarter, a touch less than the 10.2% gain in the Russell 2000 Value index. We are encouraged by this performance as the Fund’s generally lower risk profile has sometimes led it to lag the benchmark in strong markets. Furthermore, research by Jefferies analysts suggests that very few small cap value managers were able to match the benchmark’s gains in the third quarter. For the year to date, the Fund has produced a 15.1% return, well ahead of the index’s 9.2%.

**The focus on dividend payers helped a little, but the other factors were neutral.** We disaggregate performance into three factors: Dividend vs. non-dividend, Sector Allocation, and Stock Selection. In the third quarter, dividend payers outperformed while Sector Allocation and Stock Selection did not help or hurt much.

- We estimate dividend-payers within the Russell 2000 Value index rose nearly 200bps more than the Index as a whole.
- Sector Allocation (do the sectors the Fund is overweight/underweight outperform/underperform?) did not help or hurt relative performance. The impact of slightly underweight positions in Financials and Technology was offset by an underweight in Communications Services and the Fund’s small cash position.
- Stock Selection (do the stocks held by the Fund outperform the sectors in which they reside?) also did not help or hurt relative performance, although was due to significant positive and negative contributions



# Small Cap Dividend Value Fund

offsetting each other, rather than anything interesting going on. Strong Stock Selection in the Energy, Consumer Discretionary, and Health Care sectors offset disappointing results in the Materials and Communications Services sectors.

## The details for those who want to dig deeper.

• **Consumer Discretionary** – The Consumer Discretionary sector is a mid-sized sector within the Russell 2000 Value that performed in line with the overall benchmark during the quarter. The Fund's holdings performed far better. While Kontoor Brands led the group and is discussed in the Let's Talk Stocks section of this update, gains were broad-based. Indeed, three of the Fund's positions in the sector gained more than 20% and another was close. We were impressed by the diversity of the strength in the results. Only Jack in the Box fell after it reported solid quarterly results but lowered its outlook.

• **Energy** – Energy is another mid-sized sector, but it struggled in the quarter. In fact, it was the only one of the eleven economic sectors to decline in the third quarter. An 18% decline in oil prices weighed on most of the stocks in the group. Performance diverged widely amongst the Fund's seven holdings. While one of the portfolio's largest detractors, Chord Energy, came from the Energy sector, four positions rose in the quarter and two (Atlas Energy Solutions and Cactus, Inc.) were up double-digits!

• **Health Care** – Health Care is yet another mid-sized sector. It lagged slightly in the quarter, but the Fund's holdings outperformed not only the sector, but they beat the overall market. The Fund held five stocks in the sector and four of them were up more than 10%. They were led by Mesa Laboratories, a diagnostics company that reported good second quarter results and cleared up some reporting overhangs.

• **Materials** – The Materials sector was the weakest one for the Fund in the second quarter. It is a relatively small sector and two of the Fund's biggest detractors came from the group. We discuss Mercer International and Kaiser Aluminum later in this report. Not all went wrong in this area as both Ardagh Metal Packaging and Osisko Gold Royalties produced double-digit gains. The former reported solid results while the latter was helped by the 13% gain in the price of gold during the third quarter.

• **Communications Services** – The Communications Services sector is the smallest of the eleven benchmark sectors and was the best performing during the quarter. Most of the benchmark's gain in the sector came from the 545% rise in the shares of Lumen Technologies. The Fund's one holding, Nexstar Media, lagged.

During the quarter, we initiated four new positions and completed the sale of seven holdings.

## Let's Talk Stocks

### The top three contributors in the quarter were:

**Virtu Financial (VIRT - \$30.46 – NASDAQ)** is one of the largest independent market-makers of stocks, bonds, and commodities. Despite industry headwinds, the company reported impressive second quarter earnings, highlighting the success of management's organic investments. For several quarters, Virtu's management has suggested that the company's earnings power was much better than what has been reported. This quarter gives credibility to these claims. A big contributor to the increased earnings power is the reduced share count as the company has bought back 18% of its stock since 2020. Virtu is also well positioned to benefit from the institutionalization of crypto assets. The company has been expanding its capabilities in crypto market making and block ETF trading, both of which are timely given the recent SEC approval of Bitcoin and Ethereum ETFs.



# Small Cap Dividend Value Fund

**Kontoor Brands (KTB - \$81.78 – NYSE)** owns two well-known brands of jeans: Lee and Wrangler. It also manufactures and markets apparel and footwear under these brands. During the third quarter, Kontoor reported earnings that beat expectations and increased full-year guidance. It was the second straight quarter of beats and raises for Kontoor. It was even more impressive in an environment where the retailers that stock Kontoor's merchandise have been cautious about taking on inventory. Investors also were enthused by Kontoor's announcement that it raised the amount of savings that it expects from an upcoming cost containment program. In addition, Kontoor continues to tout market share gains, better product mix, lower input costs, lower inventories, and better sales at its points of distribution. Kontoor's strong performance has outpaced that of its much larger competitor Levi Strauss & Co., and the multiple discount KTB used to trade at relative to LEVI is now a premium.

**CareTrust REIT (CTRE - \$30.86 – NYSE)** is a Healthcare REIT focused on Skilled Nursing Facilities (SNF) and Assisted Living and Independent Living facilities. The company reported strong quarterly results, driven by improved and stable coverage ratios, as the industry's operating environment recovers from the negative impacts of the pandemic. CareTrust's improved operating performance has allowed management to shift focus back to growth, leveraging its under-levered balance sheet to accelerate acquisition activity. Through the first half of 2024, the company has deployed a record \$765 million into new assets at extremely attractive yields. This is more than the last three years combined and 2024 is not over. This positions CareTrust to sustain its accelerated underlying growth.

## The three largest detractors in the quarter were:

**Chord Energy (CHRD - \$130.23 – NASDAQ)** is an oil & gas exploration and production company with acreage in the Williston Basin of North Dakota. We believe that most of the decline in Chord's shares was due to emerging concerns about oil demand in the US and in China. This, coupled with a looming threat of OPEC easing supply constraints led oil prices to fall 18% during the third quarter. Energy stocks fell as a result. At the company level, Chord closed its purchase of Enerplus during the quarter. This acquisition will give the company more scale in one of the oiliest basins in the US and will enhance the company's well productivity and economics. With the deal now closed, Chord retains one of the best balance sheets in the industry and can withstand a retreat in oil prices.

**Mercer International (MERC - \$6.77 – NASDAQ)** is one of the leading producers of NBSK (Northern Bleached Softwood Kraft) pulp, which is used in tissue paper, as well as lumber through its wood products segment. The company reported second quarter results that were better than expected but still showed ongoing economic headwinds in some of its markets, namely Europe. Economic performance in Germany and broader Europe has been lackluster, causing the company to take a non-cash goodwill impairment charge on its European facilities. In addition, Mercer's global lumber business continued to be negatively impacted by elevated interest rates and their impact on housing construction. Also, the company announced an unplanned outage at one of its Canadian facilities at the end of September that will negatively impact full year pulp production. On a more positive note, Mercer's pulp business saw improved pricing and its cross-laminated timber business is positioned to accelerate.

**Kaiser Aluminum (KALU - \$72.52 – NASDAQ)** produces semi-fabricated specialty aluminum products for the aerospace, packaging, general engineering, and automotive industries. Kaiser reported a challenging second quarter, negatively impacted by a LIFO inventory charge and an unplanned outage at its Warrick hot mill, which supplies the beverage and food can industry. Additionally, Kaiser's key Aerospace segment faces headwinds due to weakness in the commercial jet sector, driven by quality issues at Boeing and supply chain challenges with Airbus. The outage at Warrick and the issues in the commercial aircraft sector caused management to lower its full year revenue and margin outlook.

## Conclusion

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



# Small Cap Dividend Value Fund

\*The Fund's inception date is December 1, 2009.

\*\*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, 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 9/30/2024)

	KSDVX No Load	KSDVX Load	Russell 2000 Value
<b>1 Year</b>	30.24%	24.41%	25.88%
<b>5 Year</b>	10.20%	9.19%	9.29%
<b>10 Year</b>	8.10%	7.61%	8.22%
<b>Since Inception*</b>	10.47%	10.13%	10.19%
<b>Expense Ratio (Gross)**</b>		1.50%	
<b>Waiver/Expense Reimbursement**</b>		-0.21%	
<b>Expense Ratio (Net)**</b>		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) September 30, 2024

Name	Weight (%)	Name	Weight (%)
Primoris Services Corporation	2.91%	Victory Capital Holdings, Inc. Class A	2.24%
Koontoor Brands, Inc.	2.78%	Spectrum Brands Holdings, Inc.	2.20%
Ensign Group, Inc.	2.54%	Wintrust Financial Corporation	2.14%
TechnipFMC plc	2.52%	SouthState Corporation	1.80%
CareTrust REIT, Inc.	2.33%	KB Home	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.

## KEELEY Funds

Direct Shareholders: 800-422-2274  
Investment Professionals: 800-422-2274  
info@keeleyfunds.com

## Distributed By:

G.distributors LLC  
Member FINRA  
800-422-2274