KEELEY
Funds
A Gabelli Group Company

Third 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 9/30/2024. 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 September 30, 2024, the Keeley Small-Mid Cap Value Fund's net asset value ("NAV") per Class A share increased 9.1%, slightly behind the 9.6% gain in its benchmark, the Russell 2500 Value Index. Year-to-date, the Fund is now up 14.0% compared to the 11.3% rise in the Index.

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.

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.

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

We see a high level of corporate change of the type we like. So far, this year's spinoff activity is down from last year. While it has picked up recently, some of the new companies that have spun out have traded at levels that we do not find inspiring. We will be patient with those. In addition, expected spin-offs from Baxter International and International Game Technology were sold to private equity firms. Nonetheless, the calendar remains full, with one spin already closed this quarter and seven more that might happen.

Furthermore, other types of corporate transactions remain attractive. We panned the rubble of busted SPACs (Special Purpose Acquisition Corporation) and found homebuilder Landsea Homes trading at less than book value. Also, Sila Realty Trust is a roll-up of private REITs (Real Estate Investment Trust) that owns special purpose medical office buildings and was cast into the public markets with little fanfare and an attractive valuation. While spin-offs remain an important part of what we do, they are not the only situations that do not get as much attention as they deserve.

Portfolio Results

The streak of outperformance ended. After seven consecutive quarters generating benchmark or better performance, the Keeley Small-Mid Cap Value Fund slightly lagged the Russell 2500 Value index. The Fund was up 9.1% compared to the 9.6% gain in the index. For the year-to-date, the Fund still leads, up 14.0% vs. 11.3% for the benchmark.

Neither Sector Allocation nor Stock Selection contributed positively to relative performance. But neither hurt very much either.

- Sector Allocation (do the sectors the Fund is overweight/underweight outperform/underperform?) was almost a complete push with a small underweight in Technology helping and a small underweight in Real Estate hurting.

- Stock Selection (do the stocks held by the Fund outperform the sectors in which they reside?) also did not have much impact on relative performance on an aggregate basis. In this case, positive Selection impacts in Energy and Consumer Discretionary were offset by negative impacts in Industrials, Communications Services, and Information Technology.

The details for those who want to dig deeper.

- **Energy** – The Energy sector was the only one of the eleven economic sectors to post losses in the quarter, but the Fund's holdings eked out a small gain. Most of the good relative performance in the quarter can be attributed to the strong performance of the shares of Sable Offshore. Sable is a former SPAC (Special Purpose Acquisition Corporation) that purchased ExxonMobil's California offshore oil production operations. These were shuttered nearly a decade ago after a pipeline spill. During the quarter, Sable made substantial progress in getting approval to restart operations. This segment also contained one of the Fund's biggest detractors, Chord Energy. We discuss it in the Let's Talk Stocks section of this report.

- **Consumer Discretionary** – The Consumer Discretionary sector is the third largest within the Russell 2500 Value index and slightly lagged the overall benchmark. The Fund's holdings performed better than the sector and better than the overall index, but with a lot of variation amongst the eleven holdings. On the positive side, good results against muted expectations drove strong gains in Victoria's Secret & Co, Hasbro, and Kontoor Brands. On the other hand, Bath & Body Works was one of the Fund's largest detractors and is discussed later in this update.

- **Communications Services** – Communications Services is the smallest of the eleven sectors and was the second best performing (behind only Real Estate) in the third quarter. The Fund's holdings lagged and were down in the quarter. The Fund holds only three stocks in the sector so the double-digit decline in Ziff Davis set the sector back. ZD has struggled with slower online advertising spending in its sectors. That may be easing, and a recent acquisition should boost earnings.

- **Industrials** – The Industrials sector is the second largest, behind Financials, in the Russell 2500 Value index and performed in line with the overall benchmark. The Fund's holdings did not keep up. Lackluster earnings updates from Chart Industries, Air Lease, and nVent offset strength at Fortune Brands Innovations and Vestis. The former benefited from the change in sentiment about interest rates due to its exposure to housing, while the latter reported a better quarter and has attracted some activist investor attention.

- **Information Technology** – Technology is a mid-sized sector in the benchmark and lagged the overall market in the quarter. The Fund's holdings were down compared to a slight gain for the sector in the benchmark and three of five positions fell in the quarter. N-able was the biggest detractor in the sector. Part of the weakness was a reversal of strength related to takeover speculation late in the second quarter. The other part was due to slightly softer organic growth expectations.

During the quarter, we added three new holdings and acquired another though a spin-off. We exited four positions.

Let's Talk Stocks

The top three contributors in the quarter were:

Pennant Group (PNTG - $35.70 – NASDAQ) provides clinical care services to patients or residents in three areas: Home Health, Hospice, and Senior Living. This was the third consecutive quarter that Pennant was one of the Fund's top contributors, as the company once again reported a record quarter that exceeded expectations and demonstrated accelerating underlying fundamentals. Pennant reported revenue growth of almost 28% and EPS growth of over 30% compared to the prior year, as business trends continued to normalize and recover from the negative impacts of the pandemic. This normalization positions Pennant to gain significant market share and expand geographically in the Home Health and Hospice industry. Pennant's recent and largest acquisition to date of Signature Healthcare's Home Health and Hospice operations in the Pacific Northwest enhances Pennant's presence in Washington, Oregon, and Idaho. In addition, the company recently announced a management and consulting agreement with Hartford Healthcare's Home Health and Hospice business, providing a springboard for expansion into the Mid-Atlantic region.

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.

Knife River Corporation (KNF - $89.39 – NYSE) supplies aggregates, ready-mix concrete, asphalt, and contracting services. It was spun off from MDU Resources in June 2023. During the quarter, the company reported record results that exceeded expectations due to robust market performance, leverage from its implementation of value-based pricing, and the continued success of its EDGE margin improvement strategy. These factors allowed the company to achieve its initial EBITDA margin goal of 15% nearly two years earlier than planned. The long-term EBITDA margin target remains at 20% and management is laser focused on hitting that target through a combination of operational improvements, broader adoption of value-based pricing, and accretive acquisitions.

The three largest detractors in the quarter were 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.

Bath & Body Works (BBWI - $31.92 – NYSE) operates a retail store chain that sells sanitizers, soaps, fragrances, and lotions, both in stores and online. Bath & Body Works shares struggled in the third quarter after the company lowered its full-year guidance. Two factors drove the lower expectations: a continued challenging macroeconomic environment and a disappointing semiannual sale. In addition, despite a growing loyalty program and a focus on margins and innovative new products, Bath & Body Works has reported no revenue growth over the past two-plus years and consumers now are proving to be more value-seeking in nature. Management conceded on its earnings call that the company's growth is likely to be pushed out as long as its customer remains weak. While bright spots include traffic improvement in the most recent quarter and continued product innovations, investors remain concerned about the potential for heightened promotional behavior by the company in the next several quarters.

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 your investment in the KEELEY Small-Mid Cap Value Fund. We will continue to work hard to earn your confidence and trust.

September 30, 2024

Third Quarter 2024 Commentary

KEELEY Funds
A Gabelli Group Company

Small-Mid Cap Value Fund

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

The Fund's adviser has contractually agreed to waive a portion of its management fee or reimburse the Fund if total ordinary operating expenses during the current fiscal year as a percentage of the Fund's average net assets exceed 1.39% for Class A Shares and 1.14% for Class I Shares. The waiver excludes expenses related to taxes, interest charges, dividend expenses incurred on securities that a Fund sells short, litigation and other extraordinary expenses, brokerage commissions and other charges relating to the purchase and sale of portfolio securities. The waiver is in effect through February 28, 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)

	KSMVX No Load	KSMVX Load	Russell 2500 Value
1 Year	30.24%	24.42%	26.59%
5 Year	10.43%	9.42%	9.99%
10 Year	7.79%	7.30%	8.47%
Since Inception*	7.92%	7.63%	7.95%

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)
September 30, 2024

Name	Weight (%)	Name	Weight (%)
Knife River Corporation	2.18%	Kontoor Brands, Inc.	1.97%
Equitable Holdings, Inc.	2.09%	Tri Pointe Homes, Inc.	1.89%
Spectrum Brands Holdings, Inc.	1.99%	MDU Resources Group, Inc.	1.82%
The Pennant Group, Inc.	1.98%	TechnipFMC plc	1.80%
NRG Energy, Inc.	1.98%	The Ensign Group, Inc.	1.79%

Performance attribution is commonly used to measure the quality of the separate decisions that go into the management of an investment portfolio compared to a benchmark index. This analysis tries to isolate the effect and measure the return contribution of market allocation, which analyzes the positive/negative impact of a portfolio's allocation to groupings such as geographic regions or market sectors, and stock selection, which analyzes the positive/negative impact of the portfolio manager's security ownership and weighting decisions within a wider grouping. The performance attribution data in this quarterly commentary was prepared by Keeley-Teton Advisors, LLC ("Keeley Teton") using the following constraints: (1) Fund portfolio holdings are as of the beginning of each day; index constituents are as of the end of the day. That means that the Fund's holdings are not included until the day after acquisition (when it is included in the portfolio as of the beginning of the next business day), and a portfolio holding that is sold is included in the analysis through the end of the day on which it is sold, and that the values at which securities are included in the analysis are the values as of the beginning of the day. For the index, securities are included at their values at the end of the day. (2) The securities' values used in the analysis are the prices used by Keeley Teton in its internal records for the Fund and the prices used by the index provider for the benchmark index. If a price from either of those sources is unavailable, pricing information from FactSet is used. Pricing information from the index provider or from FactSet may differ from the pricing information used by Keeley Teton. (3) Sector and/or industry classifications may change over time. The attribution information provided in this commentary includes summaries of attribution by market sector. Attribution is not precise and should be considered to be an approximation of the relative contribution of each of the sectors considered. The information on performance by sector reflects the aggregated gross return of the Fund's securities. Contributions to the Fund's performance by sector (computed as described above) were compared against the contributions to the aggregate return of the stocks comprising the index, by sector, as reported by FactSet Databases. Holdings returns for this commentary are calculated as total returns, which reflect any dividends or income earned during the period. Prior to September 30, 2016, holdings returns were based upon price percentage change.

Small-Mid Cap Value Fund

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed for use by Keeley Teton. Neither MSCI, S&P nor any third party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Data provided for performance attribution are estimates based on unaudited portfolio results. Performance contributors and detractors were not realized gains or losses for the Fund during the quarter. Market performance presented solely for informational purposes. The S&P 500 Index is designed to act as a barometer for the overall U.S. stock market. The index is unmanaged, consisting of 500 stocks that are chosen on the basis of market size, liquidity, and industry grouping. The S&P 500 is a market value weighted index with each stock's weight in the index proportionate to its market value. The Russell 2000® Value Index is an unmanaged index that measures the performance of the small-cap value segment of the U.S. equity universe and includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000® Index is an unmanaged index that measures the performance of the smallest 2,000 companies by market capitalization of the Russell 3000® Index. The Russell 2500® Value Index is an unmanaged index that measures the performance of the small to mid-cap value segment of the U.S. equity universe and includes those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2500® Index is an unmanaged index that measures the performance of the 2,500 smallest companies by market capitalization of the Russell 3000® Index. The Russell Midcap® Value Index is an unmanaged index that measures the performance of the mid-cap value segment of the U.S. equity universe and includes those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The Russell Midcap® Index is an unmanaged index that measures the performance of the 800 smallest companies by market capitalization of the Russell 1000® Index. The Russell 1000® Index is an unmanaged index that measures the performance of the 1,000 largest companies by market capitalization of the Russell 3000® Index. The Russell 3000® Value Index is an unmanaged index that measures the performance of the broad value segment of the U.S. equity universe and includes those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values. The Russell 3000® Index is an unmanaged index that measures the performance of the 3,000 largest U.S. companies by market capitalization. The Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS. These Index figures do not reflect any deduction for fees, expenses or taxes, and are not available for direct investment. Securities in the Fund may not match those in the indexes and performance of the Fund will differ. The KEELEY Small-Mid Cap Value Fund, KEELEY Small Cap Dividend Value Fund and KEELEY Mid Cap Dividend Value Fund are distributed by G.distributors, LLC.

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

Distributed By:
G.distributors LLC
Member FINRA
800-422-2274