Fourth Quarter 2024 Commentary

Small Cap Dividend Value Fund

KEELEY Funds
A Gabelli Group Company

To Our Shareholders,

For the quarter ended December 31, 2024, the Keeley Small Cap Dividend Value Fund's net asset value ("NAV") per Class A share gained 0.4% compared with a 1.1% decline in the Russell 2000 Value Index. For all of 2024, the Fund gained 15.5%, well ahead of the benchmark's 8.1% increase.

Commentary

Investors enjoyed another good year in 2024. The 25% gain in the S&P 500 marked the second consecutive year with 20%+ gains and the third out of the last four. It was again led by the very largest technology growth stocks as the S&P 500 Growth index rose 36% while the S&P 500 Value index only gained 12%. Further down the market cap spectrum, results lagged even more with the S&P 600 Small Cap index producing "only" an 8.7% total return and the Value component of it only 7.6%. International stocks were even worse with the total return for the MSCI EAFE index only 4.3%.

Market Performance

As of December 31, 2024	3 Months	1-Year	3-Year
S&P 500 Index	2.4%	25.0%	8.9%
Russell 3000 Value Index	-1.9%	14.0%	5.4%
Russell 3000 Index	2.6%	23.8%	8.0%
Russell 2500 Value Index	-0.3%	11.0%	3.8%
Russell Midcap Value Index	-1.7%	13.1%	3.9%
Russell 2000 Index	0.3%	11.5%	1.2%
Russell 2000 Value Index	-1.1%	8.1%	1.9%
Bloomberg Barclays Agg. Bond Index	-3.1%	1.3%	-2.4%

Source: eVestment.

Fourth quarter trends were similar to the full year. Stocks mostly rose and Large Cap and Growth outperformed. In fact, small caps were almost flat and Value and international stocks fell. Bonds fell as interest rates rose, particularly at the long end. The dollar rose. The fourth quarter's weakness in bonds and currencies resulted in a loss for the year.

The upcoming year looks promising. We see three factors having an outsized influence on the direction of the market this year.

• Inflation – During 2024, inflation (PCE, personal consumption expenditures) slowed to 2.4% from 2.7% a year ago and a June 2022 peak of 7.2%. While this is progress, inflation remains above the Fed's 2% target. Furthermore, the Fed now sees the PCE price index rising 2.5% in 2025 compared with expectations in September of 2.1%. With the declines in the rate of inflation flattening out and the economy remaining on solid footing, expectations for further rate cuts have fallen sharply among policy makers and the markets. At this point, markets expect only 25bps of Fed rate cuts in 2025 vs. 100bps as recently as September 2024.

• Economic Policy – The incoming Trump administration has an aggressive economic agenda with some proposals likely a positive and others a headwind to economic growth. We see efforts to reduce regulation and streamline government as a positive and one that likely favors smaller company stocks even more. Tariffs and deportation activities, on the other hand, look inflationary and may be received less well. Finally, the expiration of many provisions of the Tax Cut and Jobs Act (TCJA) of 2017 at the end of the year means that we will likely see some tax legislation enacted. We view this as a potential source of volatility, but most likely a neutral.

Important Risk Information

The performance reflected herein is for the Class A shares without load.

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

This summary represents the views of the portfolio managers as of 12/31/24. 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. The prospectus/summary prospectus should be read carefully before investing.

Small Cap Dividend Value Fund

- Artificial Intelligence (AI) – AI was a big investing theme in 2024, and stocks exposed to that theme had a banner year. Nvidia, the company that supplies most of the chips used in artificial intelligence operations saw its stock rise nearly 200% in 2024 and is now the second most valuable company in the world! Will AI live up to the hype? Over the long-term, it probably will, just as the internet did. The path to get there is probably not linear, however, and any bumps in the road will impact some of the most valuable stocks in the market and therefore the market overall.

The Keeley Small Cap Dividend Value Fund is well positioned. The companies in the Fund are more domestically focused, which should lower their exposure to the impact of tariffs and increase their exposure to M&A. At 2.8%, the dividend yield on the portfolio exceeds that of the S&P 500 and nearly two-thirds of the companies raised their dividends over the last year. With an average forward P/E of only 11.5x, the valuations offer plenty of upside and should protect capital if downside emerges. We are optimistic about the year ahead.

Portfolio Results

The Fund outperformed its benchmark during the fourth quarter to cap off a strong year. The Keeley Small Cap Dividend Value Fund gained 0.4% in the quarter compared with a 1.1% loss for the Russell 2000 Value index. For the full year 2024, the Fund produced a 15.5% return, well ahead of the index's 8.1%. We are delighted to have produced such a good result for our investors. Most of the Fund's best years of relative performance have come during challenged markets so the Fund's outperformance during a good year for the markets is gratifying.

The Fund outperformed despite headwinds from dividend payers. We disaggregate performance into three factors: Dividend vs. non-dividend, Sector Allocation, and Stock Selection. In the fourth quarter, the positive contribution from Sector Allocation and Stock Selection more than offset the headwind posed by the fact that dividend-payers lagged the overall small cap market.

- We estimate dividend-payers within the Russell 2000 Value index fell about 50bps more than the index as a whole.

- Sector Allocation (do the sectors the Fund is overweight/underweight outperform/underperform?) was a slight contributor relative performance. The positive impact of a small underweight position in Health Care and some other minor sector differences offset the negative impact of a slight underweight stance in Technology.

- Stock Selection (do the stocks held by the Fund outperform the sectors in which they reside?) made the largest contribution to the relative outperformance of the Fund in the quarter. Strong Stock Selection in the Industrials, Financials, and Health Care sectors offset disappointing results in the Real Estate, Technology, Materials and Consumer Staples sectors.

The details for those who want to dig deeper.

- **Industrials** – The Industrials sector is one of the larger sectors within the Russell 2000 Value index and performed better than the overall benchmark during the quarter. The Fund's holdings performed far better. While the gains were led by the Fund's largest contributor in the quarter, Primoris Services (discussed in the Let's Talk Stocks section of this update), the Fund had three other holdings generate double-digit returns for largely company-specific reasons.

- **Financials** – Financials is the largest sector within the benchmark at nearly 30% and produced better than average returns. The Fund's holdings performed even better. Performance contributions came from a broad selection of Financials stocks, but mostly came from banks and asset managers. Banks, particularly the smaller banks found in the Fund, performed well as investors anticipated a Trump victory and in the aftermath of it. A less-antagonistic regulatory environment improves the outlook for the industry. Asset managers benefitted from the strong overall market.

- **Health Care** – Health Care is a mid-sized sector and was the second worst performing sector in the fourth quarter. The Fund's holdings, on the other hand, appreciated in the quarter. Most of the gain came from a sharp rise in the shares of Embecta, which was one of the Fund's biggest contributors and will be discussed later in this report. This, and relative stability in other holdings offset weakness in long-time holding Chemed, which reported slightly soft results during the quarter.

- **Real Estate** – The Real Estate sector is the third largest sector in the index and was the third worst performing in the quarter. The Fund's holdings performed worse. The rise in longer-term interest rates accounted for the weakness in the sector. While National Storage Affiliates was one of the Fund's biggest detractors in the quarter, and is discussed later in this report, weakness in the Fund's holdings was fairly broad-based. Two other holdings declined more than 20% and another two (out of nine total) fell more than 10%.

- **Information Technology** – Technology is a mid-sized sector within the Russell 2000 Value index and was, by far, the best performing group during the fourth quarter. The Fund's holdings failed to keep up. While none of the Fund's three holdings performed as well as the sector overall, the sector's gains were driven by non-dividend payers and, to some extent, unprofitable companies. Both of those groups performed far better than profitable, dividend-paying technology stocks.

- **Materials** – The Materials sector lagged the overall market and the Fund's holdings performed even worse. Earnings weakness at Olin and Ardagh Packaging, and the resulting drops in their share prices, accounted for all the sector's relative underperformance.

- **Consumer Staples** – Staples is a small sector within the Russell 2000 Value index and the Fund only holds two stocks in the sector. Therefore, weakness in one stock, in this case Spectrum Brands, can skew results for the quarter. Its shares fell after it reported disappointing earnings due to elevated marketing spending.

During the quarter, we initiated five new positions and acquired a sixth from a spinoff. The Fund completed the sale of four holdings.

Let's Talk Stocks

The top three contributors in the quarter were:

Primoris Services (PRIM - $76.40 – NYSE) is a diversified engineering and construction company specializing in pipelines, utility-scale transmission and distribution systems, telecom, and heavy civil projects. The company delivered record financial results in the quarter. Primoris continues to experience strong revenue growth in its Energy segment, primarily driven by the acceleration of solar projects. Furthermore, this quarter marked a turn in its Utility segment, with both revenue and margins increasing due to increased project work across power delivery, communications, and gas operations. Demand for Primoris' broad range of services remains robust with backlog reaching a new record high at the end of the quarter. Based on these strong results and a positive outlook, the company increased its dividend by 33%, its first increase in nearly seven years. Primoris remains well-positioned to capitalize on robust secular growth trends in electrification, reindustrialization, and emerging conventional power opportunities driven by the increasing demand for power consumption, partly attributable to the growth of data centers.

Embecta Corp. (EMBC - $20.65 – NASDAQ) is a diabetes equipment business that Becton Dickinson (BDX) spun off in 2022. Embecta produces pen needles, insulin syringes and other products. During the fourth quarter, Embecta shares rallied after the company announced that it would discontinue plans to develop an insulin patch pump program. While the patch pump, at least in theory, could have led to faster revenue growth, the development has been and likely would continue to generate considerable operating and capital expenses. Furthermore, Embecta would face significant competition and there remained questions about the company's ability to commercialize the pump. As a result, many investors had been pressing the company to drop plans for the patch pump. Once the company announced that it would move forward without a patch pump program, shares rallied.

Victory Capital Holdings (VCTR - $65.46 – NASDAQ), a diversified global investment management firm, delivered better than expected quarterly results despite continued net outflows. Management demonstrated strong expense control, with EBITDA margin improving during the quarter and surpassing stated targets. The company remains on track to finalize its pending acquisition of Amundi's North America operations, a deal expected to boost assets under management (AUM) from $180 billion to approximately $300 billion. The acquisition is anticipated to close in early 2025. Victory also increased its dividend by 7% during the quarter, marking the third increase this year. Additionally, management signaled plans to significantly enhance share buyback activity, reflecting confidence in the company's financial position and growth prospects.

The three largest detractors in the quarter were:

KB Home (KBH - $65.72 – NYSE), a leading national homebuilder, reported a solid quarter that surpassed consensus estimates. Improved construction timelines leading to increased deliveries and slightly higher average selling prices (ASPs) drove the results. However, KBH's profit margins have declined in recent quarters due to increased competition and affordability concerns. This has led to higher use of incentives to attract buyers, impacting gross margins. This trend is expected to continue into 2025 with forecasted gross margins falling short of prior consensus expectations. Management also indicated that they may adjust prices in certain markets experiencing increased resale inventory. While these pricing concessions are currently limited to specific areas, there is a risk of them becoming more widespread. Despite these near-term challenges, KB Home remains well-positioned to benefit from pent-up demand, which is currently restrained by elevated mortgage rates.

Shoe Carnival (SCVL - $33.08 – NASDAQ) is a leading retailer of family footwear. The company reported a mixed quarter, with sales falling short of consensus estimates. Management attributed the shortfall to an unfavorable calendar shift and unusually warm weather that negatively impacted the "unofficial" start of the boot-selling season, leading to a 35% decline in boot sales in October. Furthermore, a portion of Shoe Carnival's store base was adversely affected by hurricane activity that devastated parts of the Southeast. These challenges led management to lower full-year revenue guidance, and it now expects to finish the year at the low end of the previously provided EPS range. These setbacks overshadowed what was otherwise a strong back-to-school selling season. Management acknowledged that its core Shoe Carnival customer continues to be squeezed by inflation which has impacted their purchasing behavior. In response, the company plans to adopt a more strategic marketing approach and accelerate the rebranding of certain underperforming legacy Shoe Carnival stores into its faster-growing Shoe Station banner.

National Storage Affiliates (NSA - $37.91 – NYSE) is a real estate investment trust (REIT) that owns and acquires self-storage facilities across the U.S., mostly in secondary and tertiary markets. Over the past year-plus, NSA has suffered from lower demand for self-storage space because of the slowing housing market. That has weighed on occupancy levels. While NSA has raised its prices to cover inflation, the industry has become more promotional. In the fourth quarter, NSA actually reported better than expected earnings and reaffirmed its full-year guidance for

2024, which was positive. It noted continued challenges in some Sun Belt markets where supply has been elevated. Share price weakness likely resulted from the fourth quarter rise in longer-term interest rates due to the impact that has on the recovery in housing turnover.

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.

December 31, 2024

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*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 12/31/2024)

	KSDVX No Load	KSDVX Load	Russell 2000 Value
1 Year	15.52%	10.32%	8.06%
5 Year	9.11%	8.10%	7.29%
10 Year	7.22%	6.73%	7.14%
Since Inception*	10.32%	9.98%	9.94%
Expense Ratio (Gross)**		1.50%	
Waiver/Expense Reimbursement**		-0.21%	
Expense Ratio (Net)**		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)
December 31, 2024

Name	Weight (%)	Name	Weight (%)
TechnipFMC plc	2.81%	Kontoor Brands, Inc.	2.29%
Victory Capital Holdings, Inc.	2.60%	ABM Industries Incorporated	2.01%
Primoris Services Corporation	2.52%	Spectrum Brands Holdings, Inc.	1.97%
Wintrust Financial Corporation	2.49%	CareTrust REIT, Inc.	1.85%
The Ensign Group, Inc.	2.37%	South Plains Financial, Inc.	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.

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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. 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

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800-422-2274