KEELEY Funds
A Gabelli Group Company

Fourth Quarter 2024 Commentary

Small-Mid Cap Value Fund

To Our Shareholders,

For the quarter ended December 31, 2024, the Keeley Small-Mid Cap Value Fund's net asset value ("NAV") per Class A share increased 0.1%, slightly better than the 0.3% decline in its benchmark, the Russell 2500 Value Index. The Fund returned 14.1% for the full year 2024, nicely ahead of the 11.0% gain in the index.

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 12/31/2024. 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.

• 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 Mid Cap 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. With an average forward P/E of only 12.3x, the valuations appear to offer plenty of upside and should protect capital if downside emerges. We are optimistic about the year ahead.

Portfolio Results

The Fund ended the year on a good note. The Fund's fourth quarter gain of 0.1% was better than the 0.3% loss recorded by its benchmark, the Russell 2500 Value index. The Fund also outperformed for the full year, up 14.1% vs. 11.0% for the benchmark.

Strong Stock Selection offset a drag from adverse Sector Allocation. Both factors saw significant positives and negatives in specific sectors.

• Sector Allocation (do the sectors the Fund is overweight/underweight outperform/underperform?) was a slight detractor to relative performance. An overweight in the poorly performing Health Care Sector and underweights in the outperforming Financials and Technology sectors accounted for the performance headwind.

• Stock Selection (do the stocks held by the Fund outperform the sectors in which they reside?) drove the Fund's outperformance in the quarter. Strong stock picking in the Materials, Industrials, and Health Care sectors added value while holdings in the Financials, Technology, and Consumer Staples sectors lagged their sectors.

The details for those who want to dig deeper.

• **Materials** – The Materials sector is a mid-sized sector within the Russell 2500 Value index and was the second worst performing of the eleven sectors in the quarter. The Fund's holdings appreciated in the quarter compared to the decline in the sector. Most of the gain came from two stocks: Summit Materials and Knife River Corporation. Summit was one of the Fund's biggest contributors and is discussed in the Let's Talk Stocks section of this report, but gains were driven by the company's agreement to be sold. Knife River, another aggregates producer, rose in sympathy.

• **Industrials** – The Industrials sector is the second largest, behind Financials, in the Russell 2500 Value index. The sector lagged in the quarter. The Fund's holdings performed better as they were up and were the strongest sector for the Fund. Most of the gain came from the shares of Chart Industries, which was the Fund's top contributor. We discuss Chart later in this update. The Fund also enjoyed good performance from a couple other Industrials stocks, but had some disappointments as well, including transportation companies GXO and RXO and building materials supplier Fortune Brands.

• **Health Care** – The Health Care sector is a mid-sized sector in the benchmark and was the worst-performing one in the fourth quarter. The Fund's holdings, while down, held up much better than the overall sector. Most of the outperformance came from one stock, Embecta, which was among the

Fund's biggest contributors and is discussed later in this report. Gains in the shares of Embecta, as well as a few other stocks, offset declines in The Pennant Group (discussed in the Let's Talk Stocks section) and Organon.

• **Financials** – Financials is the largest sector in the index and performed the best during the fourth quarter. The Fund's holdings did not keep up. We saw a broad range of outcomes within the Fund's thirteen holdings. Interestingly, five holdings appreciated more than 10%, three stocks were down more than 10%, and the rest fell in between these extremes with most up. The worst performers, WEX and Voya Financial, reported disappointing results. The winners were a diverse collection of banks, insurance companies, and financial technology companies that all reported good earnings.

• **Information Technology** – Technology is a mid-sized sector in the benchmark and was the third-best performing sector in the quarter. The Fund's holdings were down compared as compared to the gain for the sector in the benchmark. Most of the underperformance came from the shares of N-able. Changes in its software licensing structure have created earnings headwinds this year for the company. In addition, it announced a dilutive acquisition in December that triggered a sell-off. Some late-year tax-selling probably added to the misery.

• **Consumer Staples** – The Consumer Staples sector is one of the smallest of the eleven economic sectors in the index. While it outperformed in the quarter, the Fund's holdings failed to keep pace. As with several other sectors this quarter, one stock accounted for the shortfall in performance. Spectrum Brands reported disappointing earnings during the quarter and the stock sold off on the news.

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

Let's Talk Stocks

The top three contributors in the quarter were:

Chart Industries (GTLS - $190.84 – NYSE) manufactures equipment and systems designed to turn gas into liquids for several industrial and energy applications through its proprietary cooling technology. When reporting third quarter results, Chart Industries reset its medium-term sales and earnings forecast, generated healthy free cash flow, and announced orders for nuclear and data center projects. As a key supplier to liquefied natural gas (LNG) projects globally, the stock also reacted favorably to the US elections which likely mean that permitting for US-based LNG projects moves forward.

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.

Summit Materials (SUM - $50.60 – NYSE), a leading construction materials company supplying aggregates, ready-mix concrete, and asphalt paving mixes and services, reported an excellent quarter despite facing significant weather challenges. The quarter demonstrated continued pricing growth, driven by a 7% increase in aggregate pricing, which more than offset mixed volume performance. In mid-November, the stock saw a significant boost following rumors of a potential takeover. Shortly after, Summit Materials announced an agreement to be acquired by privately held Quikrete for $52.50 per share in cash.

The three largest detractors in the quarter were were:

Pennant Group (PNTG - $26.52– NASDAQ) provides clinical care services to patients or residents in three areas: Home Health, Hospice, and Senior Living. After being one of the Fund's top contributors for the past three quarters, Pennant ended the fourth quarter as the largest detractor. This decline occurred despite the company reporting another strong quarter of growth, which prompted an increase in its guidance. However, a strong performance was widely anticipated, and much of the positive outlook was likely already priced into the stock. Additionally, in October, the company conducted a secondary offering, issuing four million shares to raise capital for its acquisition activities.

LandSea Homes Corporation (LSEA - $8.49 – NASDAQ) is a small-cap homebuilder. It reported a solid quarter driven by lower incentives, improved build times, and a favorable geographic mix. Despite these positives, LandSea Homes faces increased competition, which may drive the greater use of incentives and potential pricing concessions. As a result, management revised its delivery and gross profit guidance downward to reflect these challenges. The housing market remains soft with buyer hesitancy persisting due to stubbornly high mortgage rates.

Tri Pointe Homes (TPH - $36.26 – NYSE), another, larger, homebuilder, also delivered better than expected quarterly results. A pick-up in new home deliveries and better gross margins drove the upside. However, net new orders declined 17%, falling well short of consensus estimates. The decline reflects a cautious buyer market and the adverse impact of rising mortgage rates during the quarter. While it has been widely expected that mortgage rates would decline as the Federal Reserve cut rates, this has yet to happen. To address these challenges, Tri Pointe plans to use incentives to stimulate demand, but believes that these higher incentive costs will be offset by increased average selling prices.

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.

December 31, 2024

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*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 12/31/2024)

	KSMVX No Load	KSMVX Load	Russell 2500 Value
1 Year	14.06%	8.95%	10.98%
5 Year	8.43%	7.43%	8.44%
10 Year	7.44%	6.95%	7.81%
Since Inception*	7.80%	7.52%	7.81%

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)
December 31, 2024

Name	Weight (%)	Name	Weight (%)
Knife River Corporation	2.17%	NRG Energy, Inc.	1.91%
Chart Industries, Inc.	2.13%	Howard Hughes Holdings Inc.	1.81%
Kontoor Brands, Inc.	2.01%	Summit Materials, Inc.	1.80%
TechnipFMC plc	1.93%	SouthState Corporation	1.73%
Equitable Holdings, Inc.++	1.92%	Spectrum Brands Holdings, Inc.	1.72%

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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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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