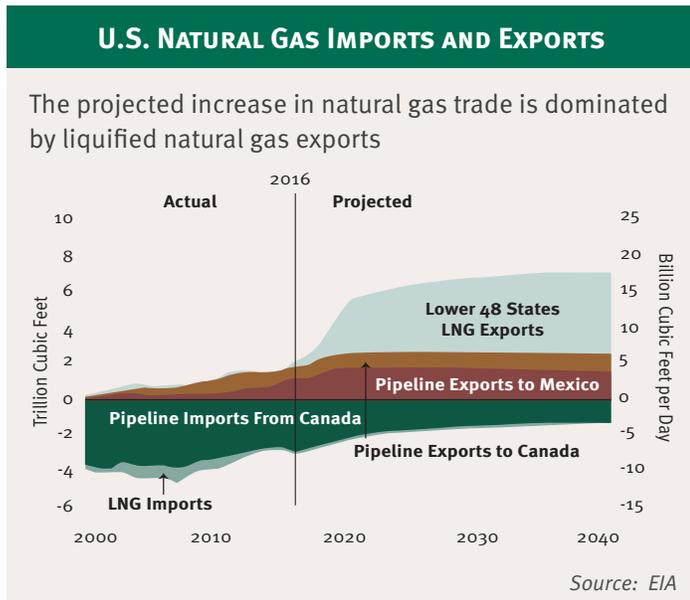




The Rise of Natural Gas Exports

Over the last 17 years, natural gas exports from the U.S. have been booming, increasing over 10-fold from 2000 to 2017. This growth has helped bring the U.S., which imported 20% of its natural gas needs back in 2007, into a position where it became a net exporter of natural gas in 2017. The boost to exports and reduction in dependence on imports is due to access to significant shale natural gas resources, which has driven rapid growth in U.S. natural gas production since 2005. Today, about 78% of natural gas exports are via pipeline and 22% is shipped in the form of liquefied natural gas (LNG). We believe there are good prospects for growth in both channels.



Summary

- » U.S. is in a position to become a significant net exporter of natural gas
- » Total natural gas exports increased 39% year-over-year in the first ten months of 2017
- » LNG exports could grow to approximately 15% of U.S. natural gas production by 2021

LNG Exports

In 2016, the first LNG export terminal in the U.S. was opened in Louisiana. The EIA called the terminal “a milestone...that has put the United States in a new position in worldwide energy trade.” Currently, the terminal has capacity to export about 2 billion cubic ft. per day (Bcf/d) of LNG – or less than 3% of U.S. production - but this is set to almost double by August 2019, and five more LNG export terminals are under construction. Once all this capacity comes on stream, the U.S. will be able to export about 11 Bcf/d of natural gas or approximately 15% of current U.S. production.

These terminals, together with four more projects that are approved but not yet under construction, will make the U.S. one of the top three LNG exporters in the world, following Qatar and Australia.

(Continued on next page)

Sector Highlight: Natural Gas

Meanwhile, world demand for LNG is growing rapidly. Global natural gas consumption is expected to grow steadily over the next 20 years, primarily driven by growth in Asia, principally China, and the Middle East, and a significant portion of this growth in demand will be supplied by imports of LNG. With the expansion of the Panama Canal to accommodate larger LNG tankers making it easier and more cost-competitive for the U.S. to export to Asia, we believe the U.S. is well positioned to become a significant supplier of LNG to these markets.

Pipeline Exports to Mexico

Exports of natural gas via pipeline have also been growing, driven primarily by exports to Mexico which have grown 15-fold since 2000 and now account for about 2/3 of total pipeline exports. With a near doubling of U.S. export pipeline capacity to Mexico by 2019, EIA expects U.S. natural gas exports to continue to increase. Mexico's national energy ministry expects to increase its natural gas use for electric power generation by almost 50% between 2016 and 2020. Mexico's domestic natural gas pipeline network is also undergoing a major expansion, primarily to accommodate new natural gas imports from the United States.

Natural Gas Reserves

The natural gas export industry in the U.S. has significant, long-term growth potential. The U.S. has the fourth largest reserve of natural gas in the world today. The EIA has estimated that the U.S. has about 823 trillion cubic ft. of proven and technically recoverable shale gas reserves and industry assessments estimate that the U.S. has 3,141 trillion cubic ft. of gas reserves overall – or the equivalent of over 100 years of production at current rates.

Portfolio Managers - Hennessy Gas Utility Fund



Ryan Kelley, CFA
Portfolio Manager

» Over 20 years of investment industry experience



Brian Peery
Portfolio Manager

» Over 25 years of investment industry experience

About Hennessy Funds

The Hennessy Gas Utility Fund (GASFX/HGASX) offers investors an opportunity to invest in the potential growth of the natural gas industry. The Fund owns all publicly traded companies that comprise the American Gas Association Stock Index. The American Gas Association is comprised of companies that deliver natural gas throughout the U.S., supplying approximately 95% of American natural gas customers.

Past performance does not guarantee future results.

Investors should consider the investment objectives, risks, charges and expenses carefully before investing. This and other important information can be found in the Fund's statutory and summary prospectuses, which can be obtained by calling 800-890-7118 or visiting hennessyfunds.com. Please read the prospectus carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. A non-diversified fund, one that may concentrate its assets in fewer holdings than a diversified fund, is more exposed to individual stock volatility than a diversified fund. Investments in foreign securities may involve political, economic and currency risks, greater volatility and differences in accounting methods. Investments are focused in the natural gas distribution and transmission industry; sector funds may be subject to a higher degree of market risk.

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