



HENNESSY  
FUNDS

ANNUAL REPORT

OCTOBER 31, 2016



HENNESSY BALANCED  
FUND

*Investor Class* **HBFBX**

*Investing, Uncompromised*

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## *Dear Hennessy Funds Shareholder:*

Over the past year investors here in the U.S. and around the world have weathered a great deal of turmoil, especially in the political arena. Foremost, the bitterly divisive and all-consuming U.S. Presidential election, with its unanticipated outcome, is finally behind us. While the equity markets were jittery at first, they now appear more comfortable with the prospect of a Trump presidency and seem to be looking forward to diminished government regulation and intervention.

The Brexit vote in the U.K. cast a shadow over the European Union's future. There remains uncertainty over the details and timing of the break and the economic consequences for both Britain and Europe, but early signs suggest the impact on growth in Britain will not be as severe as initially feared.

Additionally, uncertainty over whether the Federal Reserve would raise short-term interest rates has hung over the economy for well over a year now. The effects that higher rates could have on growth, the strength of the U.S. Dollar, corporate profits and loan supply and demand seem to have weighed heavily on investors, causing paralysis and money to remain on the sidelines of the market.

Despite all these concerns, U.S. equity markets have pushed higher, with both the Dow Jones Industrial Average and S&P 500 Index posting returns of approximately 5% during the twelve-month period ended October 31, 2016. The U.S. economy has continued to grow at a respectable annual rate of about 2%, and corporate profits have started to move higher. Today, as of mid-December, bond and Treasury yields have risen a bit from record lows just this summer, and the bond market is finishing the year on slightly rocky footing. Bond yields are still very low relative to historical averages, while the prospective PE multiples for the Dow Jones Industrial Average and S&P 500 Index are just above long-term averages at 18.0x and 18.9x, respectively. We believe that equity valuations could go considerably higher and still be at appropriate levels relative to bond yields. And, while we do expect the Fed to raise interest rates in the coming year, we believe that inflation will stay under control, so that short-term interest rates will not have to rise too fast or too far.

As I reflect over the past twelve months, what I realize is that many of the worries this year are not new. For the past several years, American businesses have operated in an environment characterized by highly partisan politics, mounting regulations, uncertainty over interest rates, and a lack of clarity regarding taxes and healthcare costs. Despite all these headwinds, U.S. corporations have been incredibly resilient and found ways to impress investors. If the newly elected administration follows through on campaign promises of reigning in regulation, lowering taxes for corporations and individuals, or reforming healthcare to drive down costs, then companies, which are already lean, should be able to post higher profits. And, that growth should lead to more jobs and a stronger economy, potentially creating a very positive cycle going forward.

With the bull market in U.S. equities entering its ninth year, many believe the economy is due for a recession and the market is due for a downturn. But, the euphoria that usually accompanies a peak in the market is absent. Since the recovery began after the financial crisis, I have found myself pondering the bull run of 1982 to 2000, powered, in part, by a significant increase in valuations. I believe today's market displays the fundamentals to sustain a similarly strong and lengthy bull market. Meanwhile, companies are largely profitable and many corporate balance sheets are cash-rich, with

relatively little debt. Unemployment is low and real wages are rising, helping to drive consumption. We are hopeful that these factors will provide support for positive market returns in the year to come.

Thank you for your continued confidence and investment in our funds. If you have any questions or would like to speak with us directly, please don't hesitate to call us at (800) 966-4354.

Best regards,



Neil J. Hennessy  
President and Chief Investment Officer

**Past performance does not guarantee future results.**

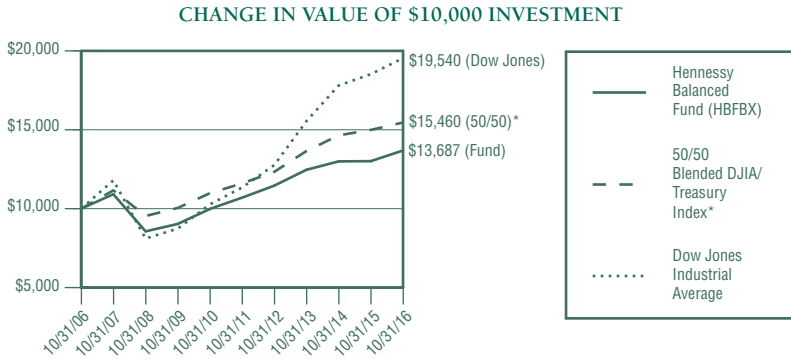
**Mutual fund investing involves risk. Principal loss is possible.**

Opinions expressed are those of Neil Hennessy and are subject to change, are not guaranteed and should not be considered investment advice.

The Dow Jones Industrial Average and S&P 500 Index are unmanaged indices commonly used to measure the performance of U.S. stocks. One cannot invest directly in an index.

PE, or price to earnings, is calculated by dividing a company's market price per share by its earnings per share.

# Performance Overview (Unaudited)



This graph illustrates the performance of an initial investment of \$10,000 made in the Fund ten years ago and assumes the reinvestment of dividends.

## AVERAGE ANNUAL TOTAL RETURN FOR PERIODS ENDED OCTOBER 31, 2016

	<u>One Year</u>	<u>Five Years</u>	<u>Ten Years</u>
Hennessy Balanced Fund (HBFBX) . . .	5.20%	5.05%	3.19%
50/50 Blended DJIA/Treasury Index* . .	3.14%	5.91%	4.45%
Dow Jones Industrial Average . . . . .	5.49%	11.50%	6.93%

Expense ratio: 1.68%

*Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The performance graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [hennessyfunds.com](http://hennessyfunds.com).*

The expense ratio presented is from the most recent prospectus.

\* The 50/50 Blended DJIA/Treasury Index consists of 50% common stocks represented by the Dow Jones Industrial Average and 50% short-duration Treasury securities represented by the BofA Merrill Lynch 1-year U.S. Treasury Note Index.

## PERFORMANCE NARRATIVE

Portfolio Managers Neil J. Hennessy and Brian E. Peery

### Performance:

For the twelve-month period ended October 31, 2016, the Hennessy Balanced Fund returned 5.20%, outperforming the 50/50 Blended DJIA/Treasury Index\*, which returned 3.14%, but underperforming the Dow Jones Industrial Average, which returned 5.49%, for the same period.

The Fund outperformed its primary benchmark, the 50/50 Blended DJIA/Treasury Index,\* as a result of both sector allocation and stock selection. Two of the largest contributors to the Fund's relative outperformance were The Boeing Company and

McDonald's Corporation. Pfizer, Inc. was the largest detractor to overall performance. From a sector perspective, an overweight position in the Energy sector as oil prices rebounded, and overweight positions in the Financials and Consumer Discretionary sectors, aided performance. The Fund continues to hold Boeing, McDonald's and Pfizer. Stronger returns from the equity investments in the portfolio more than offset a negative relative contribution from the Government Securities portion of the portfolio as compared to the Fund's primary benchmark.

#### **Portfolio Strategy:**

The Fund invests approximately 50% of its assets in the "Dogs of the Dow," the 10 highest dividend-yielding Dow stocks, and 50% of its assets in U.S. Treasuries. As a result of this "balanced" strategy, the Fund may be expected to underperform equities in periods when markets rise and outperform in periods when markets fall. The Fund is designed to allow investors to gain some exposure to the equity market while maintaining a significant share of their investment in fixed income securities. We believe the Fund is well positioned for the more conservative investor, as the equity portion of the portfolio is invested in what we would deem to be high-quality companies, each with a historically high dividend yield. The relatively short duration of the 50% weighting of U.S. Treasuries in the portfolio (all less than one year) may allow us the ability to roll into higher yielding Treasuries in the event yields rise.

#### **Market Outlook:**

Over the twelve-month period ended October 31, 2016, U.S. equities produced moderate, positive returns. The period was once again marked by a great deal of volatility, with major market indices dropping more than 10% at one point early in the year before recovering all of their losses. Throughout this period, there have been concerns about interest rates, commodity prices, economic growth (both domestic and international) and the U.S. Presidential election. Many, if not all, of these concerns still exist in the marketplace today, but we have reasons to be hopeful for the year to come.

First, while corporate profits have been on a gentle slide downwards since the fourth quarter of 2014, market analysts are now forecasting a return to growth in profits in the fourth quarter of this year. We believe these forecasts have a good chance of being proved correct. Second, mergers and acquisitions have been strong and steady this year, and we believe such activity will continue next year, helping drive revenue and earnings for the acquiring companies. Third, we do not believe the majority of stocks are expensive at this point, though many are probably fairly valued. The Dow Jones Industrial Average and the S&P 500 Index have forward PE ratios of roughly 18x and 19x, respectively, close to long-term averages, although slightly higher than six months ago. Corporate balance sheets appear to be in excellent shape, and while executives have shown some reluctance to increase capital spending beyond maintenance levels this cycle, we believe companies outside of the Energy sector will eventually start investing for expansion. Overall, we believe the basic fundamentals of the market are attractive, and we continue to be optimistic about the possibility of further moderate market advances over the course of next year.

We believe the balance between risk and reward afforded by the Fund's stock selection and asset allocation policies provides conservative investors with a compelling way to participate in the market longer term while maintaining a lower risk profile.

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\* The 50/50 Blended DJIA/Treasury Index consists of 50% common stocks represented by the Dow Jones Industrial Average and 50% short duration Treasury securities represented by the BofA Merrill Lynch 1-Year U.S. Treasury Note Index.

Opinions expressed are those of the Portfolio Managers as of the date written and are subject to change, are not guaranteed, and should not be considered investment advice or an indication of trading intent.

The S&P 500 Index and Dow Jones Industrial Average are unmanaged indices commonly used to measure the performance of U.S. stocks. The BofA Merrill Lynch 1-Year U.S. Treasury Note Index is an unmanaged index comprised of Treasury securities maturing in approximately one year. One cannot invest directly in an index.

**The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund, making it more exposed to individual stock volatility than a diversified fund. The Fund's formula-based strategy may cause the Fund to buy or sell securities at times when it may not be advantageous. Please see the Fund's prospectus for a more complete discussion of these and other risks.**

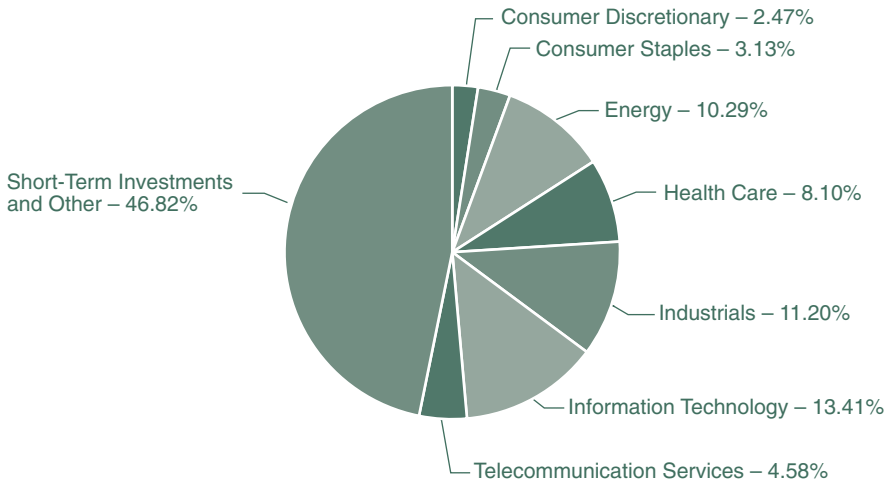
References to specific securities should not be considered a recommendation to buy or sell any security. Fund holdings and sector allocations are subject to change. Please refer to the Schedule of Investments included in this report for additional portfolio information.

Dividend yield is calculated as the annual dividends paid by a company divided by its market price per share. PE, or price to earnings, is calculated by dividing a company's market price per share by its earnings per share.



### HENNESSY BALANCED FUND

(% of Net Assets)



#### TOP TEN HOLDINGS

#### % NET ASSETS

U.S. Treasury Bill, 0.350%, 02/02/2017	8.27%
U.S. Treasury Bill, 0.480%, 03/02/2017	8.27%
U.S. Treasury Bill, 0.420%, 03/30/2017	8.26%
U.S. Treasury Bill, 0.685%, 05/25/2017	8.26%
U.S. Treasury Bill, 0.560%, 06/22/2017	8.25%
The Boeing Co.	5.60%
Caterpillar, Inc.	5.60%
International Business Machines Corp.	5.35%
Chevron Corp.	5.29%
Cisco Systems, Inc.	5.09%

Note: For presentation purposes, the Fund has grouped some of the industry categories. For purposes of categorizing securities for compliance with Section 8(b)(1) of the Investment Company Act of 1940, as amended, the Fund uses more specific industry classifications.

**COMMON STOCKS – 53.18%**

	Number of Shares	Value	% of Net Assets
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**Consumer Discretionary – 2.47%**

McDonald's Corp.	2,650	\$ 298,311	2.47%
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**Consumer Staples – 3.13%**

Procter & Gamble Co.	400	34,720	0.29%
The Coca-Cola Co.	7,200	305,280	2.52%
Wal-Mart Stores, Inc.	550	38,511	0.32%
		378,511	3.13%

**Energy – 10.29%**

Chevron Corp.	6,100	638,975	5.29%
Exxon Mobil Corp.	7,250	604,070	5.00%
		1,243,045	10.29%

**Health Care – 8.10%**

Merck & Co., Inc.	6,550	384,616	3.18%
Pfizer, Inc.	18,750	594,563	4.92%
		979,179	8.10%

**Industrials – 11.20%**

Caterpillar, Inc.	8,100	676,026	5.60%
The Boeing Co.	4,750	676,542	5.60%
		1,352,568	11.20%

**Information Technology – 13.41%**

Cisco Systems, Inc.	20,050	615,134	5.09%
Intel Corp.	10,300	359,161	2.97%
International Business Machines Corp.	4,200	645,498	5.35%
		1,619,793	13.41%

**Telecommunication Services – 4.58%**

Verizon Communications, Inc.	11,500	553,150	4.58%
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**Total Common Stocks**

(Cost \$5,806,728)

		6,424,557	53.18%
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The accompanying notes are an integral part of these financial statements.

**SHORT-TERM INVESTMENTS – 47.28%**

Number of Shares/  
Par Amount      Value      % of  
Net Assets

**Money Market Funds – 1.85%**

Fidelity Government Portfolio, Institutional Class, 0.27% (a)	222,976	\$ 222,976	1.85%
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**U.S. Treasury Bills – 45.43%**

0.350%, 02/02/2017 (b)	1,000,000	999,130	8.27%
0.480%, 03/02/2017 (b)	1,000,000	998,840	8.27%
0.420%, 03/30/2017 (b)	1,000,000	998,397	8.26%
0.685%, 05/25/2017 (b)	1,000,000	997,338	8.26%
0.560%, 06/22/2017 (b)	1,000,000	996,821	8.25%
0.550%, 07/20/2017 (b)	500,000	498,069	4.12%
		5,488,595	45.43%

**Total Short-Term Investments**

(Cost \$5,707,925)

5,711,571      47.28%

**Total Investments**

(Cost \$11,514,653) – 100.46%

12,136,128      100.46%

Liabilities in Excess

of Other Assets – (0.46)%

(55,837)      (0.46)%

**TOTAL NET ASSETS – 100.00%**

\$12,080,291      100.00%

Percentages are stated as a percent of net assets.

(a) The rate listed is the fund's 7-day yield as of October 31, 2016.

(b) The rate listed is discount rate at issue.

The accompanying notes are an integral part of these financial statements.

## Summary of Fair Value Exposure at October 31, 2016

The following is a summary of the inputs used to value the Fund's net assets as of October 31, 2016 (see Note 3 in the accompanying notes to the financial statements):

	Level 1	Level 2	Level 3	Total
<b>Common Stocks</b>				
Consumer Discretionary	\$ 298,311	\$ —	\$ —	\$ 298,311
Consumer Staples	378,511	—	—	378,511
Energy	1,243,045	—	—	1,243,045
Health Care	979,179	—	—	979,179
Industrials	1,352,568	—	—	1,352,568
Information Technology	1,619,793	—	—	1,619,793
Telecommunication Services	553,150	—	—	553,150
<b>Total Common Stocks</b>	<b>\$6,424,557</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 6,424,557</b>
<b>Short-Term Investments</b>				
Money Market Funds	\$ 222,976	\$ —	\$ —	\$ 222,976
U.S. Treasury Bills	—	5,488,595	—	5,488,595
<b>Total Short-Term Investments</b>	<b>\$ 222,976</b>	<b>\$5,488,595</b>	<b>\$ —</b>	<b>\$ 5,711,571</b>
<b>Total Investments</b>	<b>\$6,647,533</b>	<b>\$5,488,595</b>	<b>\$ —</b>	<b>\$12,136,128</b>

Transfers between levels are recognized at the end of the reporting period. During the year ended October 31, 2016, the Fund recognized no transfers between levels.

The accompanying notes are an integral part of these financial statements.

# Financial Statements

## Statement of Assets and Liabilities as of October 31, 2016

### ASSETS:

Investments in securities, at value (cost \$11,514,653)	\$12,136,128
Dividends and interest receivable	13,215
Prepaid expenses and other assets	9,048
Total Assets	<u>12,158,391</u>

### LIABILITIES:

Payable to advisor	6,234
Payable to administrator	2,208
Payable to auditor	19,601
Accrued distribution fees	33,092
Accrued service fees	1,039
Accrued trustees fees	3,898
Accrued expenses and other payables	12,028
Total Liabilities	<u>78,100</u>

### NET ASSETS

\$12,080,291

### NET ASSETS CONSIST OF:

Capital stock	\$10,629,708
Accumulated net realized gain on investments	829,108
Unrealized net appreciation on investments	621,475
Total Net Assets	<u>\$12,080,291</u>

### NET ASSETS

#### Investor Class:

Shares authorized (no par value)	Unlimited
Net assets applicable to outstanding Investor Class shares	\$12,080,291
Shares issued and outstanding	952,703
Net asset value, offering price and redemption price per share	<u>\$12.68</u>

The accompanying notes are an integral part of these financial statements.

# Financial Statements

## Statement of Operations for the year ended October 31, 2016

### INVESTMENT INCOME:

Dividend income	\$250,772
Interest income	30,459
Total investment income	<u>281,231</u>

### EXPENSES:

Investment advisory fees (See Note 5)	83,934
Compliance expense (See Note 5)	23,709
Distribution fees – Investor Class (See Note 5)	20,984
Audit fees	20,030
Federal and state registration fees	16,100
Trustees' fees and expenses	15,806
Service fees – Investor Class (See Note 5)	13,989
Administration, fund accounting, custody and transfer agent fees (See Note 5)	13,627
Sub-transfer agent expenses – Investor Class (See Note 5)	13,539
Reports to shareholders	7,327
Interest expense (See Note 7)	1,325
Legal fees	62
Other expenses	4,181
Net expenses	<u>234,613</u>

### NET INVESTMENT INCOME

\$ 46,618

### REALIZED AND UNREALIZED GAINS:

Net realized gain on investments	\$843,528
Net change in unrealized appreciation on investments	21,866
Net gain on investments	<u>865,394</u>

### NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

\$912,012

The accompanying notes are an integral part of these financial statements.

# Financial Statements

## Statements of Changes in Net Assets

	Year Ended October 31, 2016	Year Ended October 31, 2015
<b>OPERATIONS:</b>		
Net investment income	\$ 46,618	\$ 24,074
Net realized gain on investments	843,528	250,576
Net change in unrealized appreciation (depreciation) on investments	21,866	(265,259)
Net increase in net assets resulting from operations	<u>912,012</u>	<u>9,391</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>		
Net investment income – Investor Class	(50,622)	(30,298)
Net realized gains – Investor Class	(254,142)	(571,934)
Total distributions	<u>(304,764)</u>	<u>(602,232)</u>
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Proceeds from shares subscribed – Investor Class	6,936,800	450,977
Dividends reinvested – Investor Class	299,526	589,193
Cost of shares redeemed – Investor Class	(7,390,889)	(1,362,738)
Net decrease in net assets derived from capital share transactions	(154,563)	(322,568)
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	<u>452,685</u>	<u>(915,409)</u>
<b>NET ASSETS:</b>		
Beginning of year	11,627,606	12,543,015
End of year	<u>\$12,080,291</u>	<u>\$11,627,606</u>
<b>Undistributed net investment income, end of year</b>	<u>\$ —</u>	<u>\$ 1,890</u>
<b>CHANGES IN SHARES OUTSTANDING:</b>		
Shares sold – Investor Class	574,534	36,214
Shares issued to holders as reinvestment of dividends – Investor Class	24,799	47,227
Shares redeemed – Investor Class	(586,933)	(109,315)
Net increase (decrease) in shares outstanding	<u>12,400</u>	<u>(25,874)</u>

The accompanying notes are an integral part of these financial statements.

# Financial Statements

## Financial Highlights

For an Investor Class share outstanding throughout each year

### PER SHARE DATA:

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Net asset value, beginning of year

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### Income from investment operations:

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Net investment income

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Net realized and unrealized gains (losses) on investments

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Total from investment operations

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### Less distributions:

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Dividends from net investment income

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Dividends from net realized gains

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Total distributions

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Net asset value, end of year

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### TOTAL RETURN

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### SUPPLEMENTAL DATA AND RATIOS:

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Net assets, end of year (millions)

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Ratio of expenses to average net assets

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Ratio of net investment income to average net assets

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Portfolio turnover rate

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The accompanying notes are an integral part of these financial statements.



Year Ended October 31,				
<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>\$12.37</u>	<u>\$12.98</u>	<u>\$12.90</u>	<u>\$11.88</u>	<u>\$11.13</u>
0.04	0.03	0.02	0.02	0.04
<u>0.58</u>	<u>(0.01)</u>	<u>0.51</u>	<u>1.02</u>	<u>0.75</u>
<u>0.62</u>	<u>0.02</u>	<u>0.53</u>	<u>1.04</u>	<u>0.79</u>
(0.04)	(0.03)	(0.01)	(0.02)	(0.04)
<u>(0.27)</u>	<u>(0.60)</u>	<u>(0.44)</u>	<u>—</u>	<u>—</u>
<u>(0.31)</u>	<u>(0.63)</u>	<u>(0.45)</u>	<u>(0.02)</u>	<u>(0.04)</u>
<u>\$12.68</u>	<u>\$12.37</u>	<u>\$12.98</u>	<u>\$12.90</u>	<u>\$11.88</u>
5.20%	0.11%	4.26%	8.77%	7.13%
\$12.08	\$11.63	\$12.54	\$12.21	\$25.17
1.68%	1.68%	1.75%	1.75%	1.54%
0.33%	0.20%	0.17%	0.14%	0.34%
51%	34%	23%	22%	17%

The accompanying notes are an integral part of these financial statements.

# Financial Statements

Notes to the Financial Statements *October 31, 2016*

## 1). ORGANIZATION

The Hennessy Balanced Fund (the “Fund”) is a series of Hennessy Funds Trust (the “Trust”), which was organized as a Delaware statutory trust on September 17, 1992. The Fund is an open-end management investment company registered under the Investment Company Act of 1940, as amended. The Fund is a successor to a fund with the same name (the “Predecessor Fund”) that was a series of The Hennessy Funds, Inc., a Maryland corporation, pursuant to a reorganization that took place after the close of business on February 28, 2014. Prior to February 28, 2014, the Fund had no investment operations. As a result of the reorganization, holders of Investor Class shares of the Predecessor Fund received Investor Class shares of the Fund (the Investor Class shares of the Fund are the successor to the accounting and performance information of the Predecessor Fund). The investment objective of the Fund is a combination of capital appreciation and current income. The Fund is a non-diversified fund and offers Investor Class shares.

As an investment company, the Fund follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification Topic 946 “Financial Services—Investment Companies.”

## 2). SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of the financial statements. These policies conform with U.S. generally accepted accounting principles (“GAAP”).

- a). Investment Valuation – All investments in securities are recorded at their estimated fair value, as described in Note 3.
- b). Federal Income Taxes – No provision for federal income taxes or excise taxes has been made since the Fund has elected to be taxed as a “regulated investment company” and intends to distribute substantially all of its taxable income to its shareholders and otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Net investment income or loss and realized gains and losses for federal income tax purposes may differ from that reported on the financial statements because of temporary book and tax basis differences. Temporary differences are primarily the result of the treatment of wash sales for tax reporting purposes. The Fund recognizes interest and penalties related to income tax benefits, if any, in the statement of operations as an income tax expense. Distributions from net realized gains for book purposes may include short-term capital gains, which are included as ordinary income to shareholders for tax purposes.

Due to inherent differences in the recognition of income, expenses, and realized gains/losses under GAAP and federal income tax regulations, permanent differences between book and tax basis for reporting for the fiscal year ended October 31, 2016, have been identified and appropriately reclassified on the Statement of Assets and Liabilities. The adjustments are as follows:

<u>Undistributed Net Investment Income/(Loss)</u>	<u>Accumulated Net Realized Gain/(Loss)</u>	<u>Paid-in Capital</u>
\$2,114	\$(2,114)	\$ —

- c). Accounting for Uncertainty in Income Taxes – The Fund has accounting policies regarding recognition and measurement of tax positions taken or expected to be taken on a tax return. The tax returns of the Fund for the prior three fiscal years are open for examination. The Fund has reviewed all open tax years in major jurisdictions and concluded that there is no impact on the Fund's net assets and no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on a tax return. The Fund's major tax jurisdictions are U.S. federal and Delaware.
- d). Income and Expenses – Dividend income is recognized on the ex-dividend date or as soon as information is available to the Fund. Interest income, which includes the amortization of premium and accretion of discount, is recognized on an accrual basis. The Fund is charged for those expenses that are directly attributable to the portfolio, such as advisory, administration, and certain shareholder service fees.
- e). Distributions to Shareholders – Dividends from net investment income for the Fund, if any, are declared and paid on a calendar quarter basis. Distributions of net realized capital gains, if any, are declared and paid annually, usually in December.
- f). Security Transactions – Investment and shareholder transactions are recorded on the trade date. The Fund determines the gain or loss realized from the investment transactions by comparing the original cost of the security lot sold with the net sale proceeds. Discounts and premiums on securities purchased are accreted/amortized over the life of the respective security.
- g). Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported change in net assets during the reporting period. Actual results could differ from those estimates.
- h). Share Valuation – The net asset value (“NAV”) per share of the Fund is calculated by dividing the sum of the value of the securities held by the Fund, plus cash or other assets, minus all liabilities (including estimated accrued expenses) by the total number of shares outstanding for the Fund, rounded to the nearest cent. The Fund's shares will not be priced on days the New York Stock Exchange is closed for trading. The offering and redemption price per share for the Fund is equal to the Fund's NAV per share.
- i). Repurchase Agreements – The Fund may enter into repurchase agreements with member banks or security dealers of the Federal Reserve Board whom the investment advisor deems creditworthy. The repurchase price generally equals the price paid by the Fund plus interest negotiated on the basis of current short-term rates.
- Securities pledged as collateral for repurchase agreements are held by the custodian bank until the respective agreements mature. Provisions of the repurchase agreements ensure that the market value of the collateral, including accrued interest thereon, is sufficient to cover the repurchase amount in the event of default of the counterparty. If the counterparty defaults and the value of the collateral declines or if the counterparty enters an insolvency proceeding, realization of the collateral by the Fund may be delayed or limited. During the fiscal year ended October 31, 2016, the Fund did not enter into any repurchase agreements.
- j). New Accounting Pronouncements – In May 2015, the FASB issued ASU No. 2015-07 “Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent).” The amendments in ASU No. 2015-07 remove the requirement to categorize within the fair value hierarchy investments measured at NAV

and require the disclosure of sufficient information to reconcile the fair value of the remaining assets categorized within the fair value hierarchy to the financial statements. The amendments in ASU No. 2015-07 are effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Management has reviewed the requirements and believes the adoption of ASU 2015-07 will not have a material impact on the Fund's financial statements and related disclosures.

### **3). SECURITIES VALUATION**

The Fund follows authoritative fair valuation accounting standards that establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion in changes in valuation techniques and related inputs during the period. These inputs are summarized in the three broad levels listed below:

Level 1 – Unadjusted, quoted prices in active markets for identical instruments that the Fund has the ability to access at the date of measurement.

Level 2 – Other significant observable inputs (including, but not limited to, quoted prices in active markets for similar instruments, quoted prices in markets that are not active for identical or similar instruments, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets (such as interest rates, prepayment speeds, credit risk curves, default rates, and similar data)).

Level 3 – Significant unobservable inputs (including the Fund's own assumptions about what market participants would use to price the asset or liability based on the best available information) when observable inputs are unavailable.

Following is a description of the valuation techniques applied to the Fund's major categories of assets and liabilities measured at fair value on a recurring basis.

*Equity Securities* – Equity securities, including common stocks, preferred stocks, exchange-traded funds, closed-end mutual funds, partnerships, rights, and real estate investment trusts, that are traded on a securities exchange for which a last-quoted sales price is readily available will generally be valued at the last sales price as reported by the primary exchange on which the securities are listed. Securities listed on The NASDAQ Stock Market (“NASDAQ”) will generally be valued at the NASDAQ Official Closing Price, which may differ from the last sales price reported. Securities traded on a securities exchange for which a last-quoted sales price is not readily available will generally be valued at the mean between the bid and ask prices. To the extent these securities are actively traded and valuation adjustments are not applied, they are classified in Level 1 of the fair value hierarchy.

*Registered Investment Companies* – Investments in registered investment companies (e.g., mutual funds) are generally priced at the ending NAV provided by the applicable registered investment company's service agent and will be classified in Level 1 of the fair value hierarchy.

*Debt Securities* – Debt securities, including corporate bonds, asset-backed securities, mortgage-backed securities, municipal bonds, U.S. Treasuries, and U.S. government agency issues, are generally valued at market on the basis of valuations furnished by an independent pricing service that utilizes both dealer-supplied valuations and formula-based techniques. The pricing service may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, and fundamental data relating to the issuer. In addition, the model may incorporate

observable market data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued primarily using dealer quotations. These securities are generally classified in Level 2 of the fair value hierarchy.

*Short-Term Securities* – Short-term equity investments, including money market funds, are valued in the manner specified above. Short-term debt investments with an original term to maturity of 60 days or less are valued at amortized cost, which approximates fair market value. If the original term to maturity of a short-term debt investment exceeded 60 days, then the values as of the 61st day prior to maturity are amortized. Amortized cost is not used if its use would be inappropriate due to credit or other impairments of the issuer, in which case the security's fair value would be determined, as described below. Short-term securities are generally classified in Level 1 or Level 2 of the fair market hierarchy depending on the inputs used and market activity levels for specific securities.

The Board of Trustees of the Fund (the "Board") has adopted fair value pricing procedures that are followed when a price for a security is not readily available or if a significant event has occurred that indicates the closing price of a security no longer represents the true value of that security. Fair value pricing determinations are made in good faith in accordance with these procedures. There are numerous criteria that will be given consideration in determining a fair value of a security such as the trading volume of a security and markets, the value of other like securities, and news events with direct bearing to a security or markets. Fair value pricing results in an estimated price for a security that reflects the amount the Fund might reasonably expect to receive in a current sale. Depending on the relative significance of the valuation inputs, these securities may be classified in either Level 2 or Level 3 of the fair value hierarchy.

The Board has delegated day-to-day valuation matters to a Valuation Committee comprised of one or more representatives from Hennessy Advisors, Inc., the Fund's investment advisor. The function of the Valuation Committee is to value securities where current and reliable market quotations are not readily available. All actions taken by the Valuation Committee are reviewed by the Board.

The Fund has performed an analysis of all existing investments to determine the significance and character of all inputs to their fair value determination. Various inputs are used in determining the value of the Fund's investments. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Details related to the fair valuation hierarchy of the Fund's securities as of October 31, 2016, are included in the Fund's Schedule of Investments.

#### **4). INVESTMENT TRANSACTIONS**

Purchases and sales of investment securities (excluding government and short-term investments) for the Fund during the fiscal year ended October 31, 2016, were \$3,639,046 and \$3,947,953, respectively.

There were no purchases or sales/maturities of long-term U.S. government securities for the Fund during the fiscal year ended October 31, 2016.

The Fund is permitted to purchase or sell securities from or to another fund in the Hennessy Funds family of funds (the "Hennessy Funds") under specified conditions outlined in procedures adopted by the Board of Trustees. The procedures have been designed to ensure that any purchase or sale of securities by the Fund from or to another Hennessy Fund complies with Rule 17a-7 of the Investment Company Act of 1940. For the fiscal year ended October 31, 2016, the Fund did not engage in purchases and sales of securities pursuant to Rule 17a-7 of the Investment Company Act of 1940.

## 5). INVESTMENT MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Hennessy Advisors, Inc. (the “Advisor”) is the investment advisor of the Fund. The Advisor provides the Fund with investment management services under an Investment Advisory Agreement. The Advisor furnishes all investment advice, office space, facilities, and provides most of the personnel needed by the Fund. As compensation for its services, the Advisor is entitled to a monthly fee from the Fund. The fee is based upon the average daily net assets of the Fund at the annual rate of 0.60%. The net investment advisory fees payable by the Fund as of October 31, 2016, were \$6,234.

The Board has approved a Shareholder Servicing Agreement for the Fund, which was instituted to compensate the Advisor for the non-investment management services it provides to the Fund. The Shareholder Servicing Agreement provides for a monthly fee paid to the Advisor at an annual rate of 0.10% of the average daily net assets of the Fund. Shareholder service fees payable by the Fund as of October 31, 2016, were \$1,039.

The Fund has adopted a plan pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended, that authorizes payments in connection with the distribution of the Fund's shares at an annual rate of up to 0.25% of the Fund's average daily net assets, although the Fund is currently only using up to 0.15% of its average daily net assets for such purpose. Amounts paid under the plan may be spent on any activities or expenses primarily intended to result in the sale of shares, including, but not limited to, advertising, shareholder account servicing, the printing and mailing of prospectuses to other than current shareholders, the printing and mailing of sales literature, and compensation for sales and marketing activities or to financial institutions and others, such as dealers and distributors.

The Fund has entered into agreements with various brokers, dealers, and financial intermediaries in connection with the sale of shares of the Fund. The agreements provide for periodic payments by the Fund to the brokers, dealers, and financial intermediaries for providing certain shareholder maintenance services (sub-transfer agent expenses). These shareholder services include the pre-processing and quality control of new accounts, shareholder correspondence, answering customer inquiries regarding account status, and facilitating shareholder telephone transactions. Fees paid by the Fund to various brokers, dealers, and financial intermediaries during the fiscal year ended October 31, 2016, were \$13,539.

U.S. Bancorp Fund Services, LLC (“USBFS”) provides the Fund with administrative, fund accounting, and transfer agent services and necessary office equipment. As administrator, USBFS is responsible for activities such as (i) preparing various federal and state regulatory filings, reports, and returns for the Fund, (ii) preparing reports and materials to be supplied to the Board, (iii) monitoring the activities of the Fund's custodian, transfer agent, and accountants, and (iv) coordinating the preparation and payment of the Fund's expenses and reviewing the Fund's expense accruals. Fees paid to USBFS during the fiscal year ended October 31, 2016, were \$13,627.

U.S. Bank, N.A., an affiliate of USBFS, serves as the Fund's custodian. Quasar Distributors, LLC acts as the Fund's principal underwriter in a continuous public offering of the Fund's shares. Quasar Distributors, LLC is an affiliate of USBFS and U.S. Bank, N.A.

The officers of the Fund are affiliated with the Advisor. Such officers, with the exception of the Chief Compliance Officer and the Senior Compliance Officer, receive no compensation from the Fund for serving in their respective roles. The Fund, along with the other Hennessy Funds, makes reimbursement payments, on an equal basis, to the Advisor for a portion of the salary and benefits associated with the office of the Chief

Compliance Officer and for all of the salary and benefits associated with the office of the Senior Compliance Officer. Such amounts are included on the Statement of Operations.

## 6). GUARANTEES AND INDEMNIFICATIONS

Under the Hennessy Funds' organizational documents, their officers and trustees are indemnified by the Hennessy Funds against certain liabilities arising out of the performance of their duties to the Hennessy Funds. Additionally, in the normal course of business, the Hennessy Funds enter into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. Currently, the Fund expects the risk of loss to be remote.

## 7). LINE OF CREDIT

The Fund has an uncommitted line of credit with the other Hennessy Funds in the amount of the lesser of (i) \$100,000,000 or (ii) 33.33% of each Hennessy Fund's net assets, or 30% for the Hennessy Gas Utility Fund and 10% for the Fund, intended to provide short-term financing, if necessary, subject to certain restrictions, in connection with shareholder redemptions. The credit facility is with the Hennessy Funds' custodian bank, U.S. Bank, N.A. Borrowings under this arrangement bear interest at the bank's prime rate and are secured by all of the Fund's assets (as to its own borrowings only). During the fiscal year ended October 31, 2016, the Fund had an outstanding average daily balance and a weighted average interest rate of \$36,541 and 3.47%, respectively. The maximum amount outstanding for the Fund during the period was \$1,600,000. At October 31, 2016, the Fund did not have any borrowings outstanding under the line of credit.

## 8). FEDERAL TAX INFORMATION

As of October 31, 2016, the components of accumulated earnings (losses) for income tax purposes were as follows:

Cost of investments for tax purposes	\$ 11,530,781
Gross tax unrealized appreciation	\$ 667,411
Gross tax unrealized depreciation	(62,064)
Net tax unrealized appreciation	\$ 605,347
Undistributed ordinary income	\$ 43,032
Undistributed long-term capital gains	802,204
Total distributable earnings	\$ 845,236
Other accumulated loss	\$ —
Total accumulated gain	<u>\$ 1,450,583</u>

The difference between book-basis unrealized appreciation/depreciation (as shown in the Statement of Assets and Liabilities) and tax-basis unrealized appreciation/depreciation (as shown above) is attributable primarily to wash sales.

At October 31, 2016, the Fund had no tax basis capital losses to offset future capital gains.

At October 31, 2016, the Fund did not defer, on a tax basis, any post-December late year ordinary loss deferrals.

During the fiscal years ended October 31, 2016 and 2015, the tax character of distributions paid by the Fund was as follows:

	Year Ended October 31, 2016	Year Ended October 31, 2015
Ordinary income <sup>(1)</sup>	\$ 66,296	\$ 39,518
Long-term capital gain	<u>238,468</u>	<u>562,714</u>
	<u>\$304,764</u>	<u>\$602,232</u>

<sup>(1)</sup> Ordinary income includes short-term gain or loss.

## 9). EVENTS SUBSEQUENT TO YEAR END

Management has evaluated the Fund's related events and transactions that occurred subsequent to October 31, 2016, through the date of issuance of the Fund's financial statements. Other than as disclosed below, management has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

On December 7, 2016, capital gains were declared and paid to shareholders of record as of December 6, 2016, as follows:

	Amount Per Share	
	<u>Long-term</u>	<u>Short-term</u>
Investor Class	\$0.85723	\$0.04599



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# Report of Independent Registered Public Accounting Firm

The Board of Trustees of Hennessy Funds Trust  
and Shareholders of the Hennessy Balanced Fund:

We have audited the accompanying statement of assets and liabilities of the Hennessy Balanced Fund (the Fund), a series of Hennessy Funds Trust, including the schedule of investments, as of October 31, 2016, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two year period then ended, and the financial highlights for each of the years in the five year period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 2016, by correspondence with custodians and brokers or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Fund as of October 31, 2016, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two year period then ended, and the financial highlights for each of the years in the five year period then ended, in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

Chicago, Illinois  
December 22, 2016

# Trustees and Officers of the Fund (Unaudited)

The business and affairs of the Fund are managed under the direction of the Board of Trustees of the Trust, and the Board of Trustees elects the Officers of the Trust. Beginning in March 2015, the Board of Trustees has from time to time appointed advisers (“Advisers”) to the Board of Trustees, with the intention of having qualified individuals serve in an advisory capacity in order to garner experience in the mutual fund and asset management industry and be considered as potential Trustees in the future. There are currently three Advisers to the Board of Trustees: Brian Alexander, Doug Franklin, and Claire Knoles. As Advisers, Mr. Alexander, Mr. Franklin, and Ms. Knoles attend meetings of the Board and act as non-voting participants. Information pertaining to the Trustees, Advisers, and the Officers of the Trust is set forth below. The Trustees and Officers serve until their successors are duly elected and qualified or until their earlier death, resignation, or removal. Each of the Trustees oversees 16 Hennessy Funds. Unless otherwise indicated, the address of all persons listed below is 7250 Redwood Boulevard, Suite 200, Novato, CA 94945. The Fund’s Statement of Additional Information includes more information about the persons listed below and is available, without charge, upon request by calling 1-800-966-4354.

<u>Name, (Year of Birth), and Position Held with the Trust</u>	<u>Start Date of Service</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Other Directorships Held Outside of Fund Complex During Past Five Years<sup>(1)</sup></u>
<b>Disinterested Trustees and Advisers</b>			
J. Dennis DeSousa (1936) <i>Trustee</i>	January 1996	Mr. DeSousa is a real estate investor.	None.
Robert T. Doyle (1947) <i>Trustee</i>	January 1996	Mr. Doyle has been the Sheriff of Marin County, California since 1996.	None.
Gerald P. Richardson (1945) <i>Trustee</i>	May 2004	Mr. Richardson is an independent consultant in the securities industry.	None.
Brian Alexander (1981) <i>Adviser to the Board</i>	March 2015	Mr. Alexander has been employed by Sutter Health Novato Community Hospital since 2012, first as an Assistant Administrator and then, beginning in 2013, as the Chief Administrative Officer. From 2011 through 2012, Mr. Alexander was employed by Sutter Health West Bay Region as the Regional Director of Strategic Decision Support. Prior to that, in 2011, he served as the Director of Managed Care Contracting and also the Director of Compensation, Benefits, and Compliance for the Rehabilitation Institute of Chicago.	None.

**Name, (Year of Birth),  
and Position Held  
with the Trust**

Doug Franklin  
(1964)  
*Adviser to the Board*

**Start Date  
of Service**

March 2016

**Principal Occupation(s)  
During Past Five Years**

Mr. Franklin is a retired insurance industry executive. From 1987 through 2015, he was employed by the Allianz-Fireman's Fund Insurance Company in various positions, including as its Chief Actuary and Chief Risk Officer.

**Other  
Directorships  
Held Outside  
of Fund  
Complex During  
Past Five Years<sup>(1)</sup>**

None.

Claire Knoles  
(1974)  
*Adviser to the Board*

December 2015

Ms. Knoles is a founder of Kiosk and has served as its Chief Operating Officer since 2004. Kiosk is a full service marketing agency with offices in the San Francisco Bay Area, Toronto, and Liverpool, UK.

None.

**Interested Trustee<sup>(2)</sup>**

Neil J. Hennessy  
(1956)  
*Trustee, Chairman of  
the Board, Chief  
Investment Officer,  
Portfolio Manager,  
and President*

January 1996 as  
a Trustee and  
June 2008 as  
an Officer

Mr. Hennessy has been employed by Hennessy Advisors, Inc. since 1989 and currently serves as its President, Chairman and Chief Executive Officer.

Hennessy  
Advisors, Inc.

**Name, (Year of Birth),  
and Position Held  
with the Trust**

**Officers**

Teresa M. Nilsen  
(1966)  
*Executive Vice President  
and Treasurer*

January 1996

Ms. Nilsen has been employed by Hennessy Advisors, Inc. since 1989 and currently serves as its Executive Vice President, Chief Operations Officer, Chief Financial Officer, and Secretary.

Daniel B. Steadman  
(1956)  
*Executive Vice President  
and Secretary*

March 2000

Mr. Steadman has been employed by Hennessy Advisors, Inc. since 2000 and currently serves as its Executive Vice President and Chief Compliance Officer.

Jennifer Cheskiewicz  
(1977)  
*Senior Vice President and  
Chief Compliance Officer*

June 2013

Ms. Cheskiewicz has been employed by Hennessy Advisors, Inc. as its General Counsel since June 2013. She previously served as in-house counsel to Carlson Capital, L.P., an SEC-registered investment advisor to several private funds, from February 2010 to May 2013.

Brian Carlson  
(1972)  
*Senior Vice President and  
Head of Distribution*

December 2013

Mr. Carlson has been employed by Hennessy Advisors, Inc. since December 2013. Mr. Carlson was previously a co-founder and principal of Trivium Consultants, LLC from February 2011 through November 2013.

<b>Name, (Year of Birth), and Position Held with the Trust</b>	<b>Start Date of Service</b>	<b>Principal Occupation(s) During Past Five Years</b>
David Ellison (1958) <sup>(3)</sup> <i>Senior Vice President and Portfolio Manager</i>	October 2012	Mr. Ellison has been employed by Hennessy Advisors, Inc. since October 2012. He has served as a Portfolio Manager of the Hennessy Small Cap Financial Fund, the Hennessy Large Cap Financial Fund, and the Hennessy Technology Fund since inception. Prior to that, Mr. Ellison served as Director, CIO and President of FBR Fund Advisers, Inc. from December 1999 to October 2012.
Brian Peery (1969) <i>Senior Vice President and Portfolio Manager</i>	March 2003 as an Officer and February 2011 as a Co-Portfolio Manager or Portfolio Manager	Mr. Peery has been employed by Hennessy Advisors, Inc. since 2002. He has served as a Portfolio Manager of the Hennessy Cornerstone Growth Fund, the Hennessy Cornerstone Mid Cap 30 Fund, the Hennessy Cornerstone Large Growth Fund, the Hennessy Cornerstone Value Fund, the Hennessy Total Return Fund, and the Hennessy Balanced Fund since October 2014. He served as Co-Portfolio Manager of the same funds from February 2011 through September 2014. Mr. Peery has also served as a Portfolio Manager of the Hennessy Gas Utility Fund since February 2015.
Winsor (Skip) Aylesworth (1947) <sup>(3)</sup> <i>Vice President and Portfolio Manager</i>	October 2012	Mr. Aylesworth has been employed by Hennessy Advisors, Inc. since October 2012. He has served as a Portfolio Manager of the Hennessy Gas Utility Fund since 1998 and as a Portfolio Manager of the Hennessy Technology Fund since inception. Prior to that, Mr. Aylesworth served as Executive Vice President of FBR Fund Advisers, Inc. from 1999 to October 2012.
Ryan Kelley (1972) <sup>(4)</sup> <i>Vice President and Portfolio Manager</i>	March 2013	Mr. Kelley has been employed by Hennessy Advisors, Inc. since October 2012. He has served as a Portfolio Manager of the Hennessy Gas Utility Fund, the Hennessy Small Cap Financial Fund, and the Hennessy Large Cap Financial Fund since October 2014. He served as Co-Portfolio Manager of the same funds from March 2013 through September 2014, and as a Portfolio Analyst for the Hennessy Funds from October 2012 through February 2013. Prior to that, Mr. Kelley served as Portfolio Manager of FBR Fund Advisers, Inc. from January 2008 to October 2012.

<sup>(1)</sup> Messrs. DeSousa, Doyle, Hennessy, and Richardson previously served on the Board of Directors of Hennessy Mutual Funds, Inc. ("HMFI"), The Hennessy Funds, Inc. ("HFI"), and Hennessy SPARX Funds Trust ("HSFT"). Pursuant to an internal reorganization effective as of February 28, 2014, the series of HFMI, HFI, and HSFT were reorganized into corresponding series of Hennessy Funds Trust that mirrored them. Subsequent to the reorganization, HFMI, HFI, and HSFT were dissolved.

<sup>(2)</sup> Mr. Hennessy is considered an "interested person," as defined in the Investment Company Act of 1940, as amended, because he is an officer of the Hennessy Funds.

<sup>(3)</sup> The address of these officers is 101 Federal Street, Suite 1900, Boston, MA 02110.

<sup>(4)</sup> The address of this officer is 1340 Environ Way, Suite 305, Chapel Hill, NC 27517.

# Expense Example (Unaudited)

October 31, 2016

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, reinvested dividends, or other distributions; redemption fees; and exchange fees; and (2) ongoing costs, including management fees; service fees; and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from May 1, 2016, through October 31, 2016.

## Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. Although the Fund charges no sales loads or transaction fees, you will be assessed fees for outgoing wire transfers, returned checks and stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Fund's transfer agent. If you request that a redemption be made by wire transfer, currently a \$15 fee is charged by the Fund's transfer agent. IRA accounts will be charged a \$15 annual maintenance fee. The example below includes, but is not limited to, management fees, shareholder servicing fees, fund accounting, custody, and transfer agent fees. However, the example below does not include portfolio trading commissions and related expenses, and other extraordinary expenses as determined under generally accepted accounting principles. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line of the table under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

## Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratios and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), or exchange fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

<b>Investor Class</b>	<u>Beginning Account Value May 1, 2016</u>	<u>Ending Account Value October 31, 2016</u>	<u>Expenses Paid During Period<sup>(1)</sup> May 1, 2016 – October 31, 2016</u>
Actual	\$1,000.00	\$1,018.40	\$8.73
Hypothetical (5% return before expenses)	\$1,000.00	\$1,016.49	\$8.72

<sup>(1)</sup> Expenses are equal to the Fund's annualized expense ratio of 1.72% multiplied by the average account value over the period, multiplied by 184/366 days (to reflect one-half year period).

## *How to Obtain a Copy of the Fund's Proxy Voting Policy and Proxy Voting Records*

A description of the policies and procedures the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge: (1) by calling 1-800-966-4354; (2) on the Hennessy Funds' website at [hennessyfunds.com/proxy-voting/policy.fs](http://hennessyfunds.com/proxy-voting/policy.fs); or (3) on the U.S. Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov). The Fund's proxy voting record is available without charge on both the Hennessy Funds' website at [hennessyfunds.com/proxy-voting/vote.fs](http://hennessyfunds.com/proxy-voting/vote.fs) and the SEC's website at [www.sec.gov](http://www.sec.gov) no later than August 31 for the prior 12 months ending June 30.

## *Quarterly Filings on Form N-Q*

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q will be available on the SEC's website at [www.sec.gov](http://www.sec.gov). The Fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. Information included in the Fund's N-Q will also be available upon request by calling 1-800-966-4354.

## *Federal Tax Distribution Information (Unaudited)*

For the fiscal year ended October 31, 2016, certain dividends paid by the Fund may be subject to a maximum tax rate of 23.8%, as provided for by the Jobs and Growth Tax Relief Reconciliation Act of 2003. The percentage of dividends declared from ordinary income designated as qualified dividend income was 100%.

For corporate shareholders, the percent of ordinary income distributions that qualified for the corporate dividends received deduction for the fiscal year ended October 31, 2016, was 100%.

The percentage of taxable ordinary income distributions that are designated as short-term capital gain distributions under Section 871(k)(2)(C) of the Internal Revenue Code of 1986, as amended, for the Fund was 26.83%.

## *Householding*

To help keep the Fund's costs as low as possible, we generally deliver a single copy of most financial reports and prospectuses to shareholders who share an address, even if the accounts are registered under different names. This process, known as "householding," does not apply to account statements. You may, of course, request an individual copy of a prospectus or financial report at any time. If you would like to receive separate mailings, please call the Administrator at 1-800-261-6950 or 1-414-765-4124 and we will begin individual delivery within 30 days of your request. If your account is held through a financial institution or other intermediary, please contact them directly to request individual delivery.



# Privacy Policy

We collect the following non-public personal information about you:

- information we receive from you on or in applications or other forms, correspondence, or conversations, including, but not limited to, your name, address, phone number, social security number, assets, income, and date of birth; and
- information about your transactions with us, our affiliates, or others, including, but not limited to, your account number and balance, payment history, parties to transactions, cost basis information, and other financial information.

We do not disclose any non-public personal information about our current or former shareholders to non-affiliated third parties, except as permitted by law. For example, we are permitted by law to disclose all of the information we collect, as described above, to our Transfer Agent to process your transactions. Furthermore, we restrict access to your non-public personal information to those persons who require such information to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your non-public personal information.

In the event that you hold shares of the Fund through a financial intermediary, including, but not limited to, a broker-dealer, bank or trust company, the privacy policy of your financial intermediary would govern how your non-public personal information would be shared with non-affiliated third parties.

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*For information, questions or assistance, please call  
The Hennessy Funds*

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This report has been prepared for shareholders and may be distributed to others only if preceded or accompanied by a current prospectus.