



HENNESSY
FUNDS

ANNUAL REPORT

OCTOBER 31, 2016



HENNESSY JAPAN SMALL CAP FUND

Investor Class **HJPSX**

Institutional Class **HJSIX**

Investing, Uncompromised

hennessyfund.com | 1-800-966-4354

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Dear Hennessy Funds Shareholder:

During the twelve-month period ended October 31, 2016, the Japanese stock market, as measured by the Tokyo Stock Price Index, declined by just over 10% in yen terms and increased just over 5% in U.S. Dollar terms. The market initially advanced as it rebounded from the decline, which was caused by the sudden drop in Chinese stocks toward the end of the previous period. However, it subsequently dropped sharply in reaction to the strengthening of the yen. The yen rallied significantly during the first half of calendar 2016 as expectations of an interest rate increase in the U.S. faded due to weak macroeconomic statistics. The Japanese market stabilized in the spring despite growing concerns about potential adverse economic effects of the negative interest rate policy adopted by the Bank of Japan (BOJ). In June 2016, however, the stock market fell dramatically once again, this time in reaction to the United Kingdom's decision to leave the European Union, the so-called "Brexit" vote. Following a quick rebound from this plunge, the market began steadily recovering its lost ground. Investors appeared to feel a sense of relief that the Liberal Democratic Party of Japan did well in upper-house elections, while a revision in the BOJ's monetary policies was well received. A slight weakening of the yen and some optimism over the likely beneficial impact of a more expansionary fiscal policy added positive momentum to share prices at the end of the period.

With regards to Japan's macroeconomic situation, we continue to call for the acceleration of structural reforms and an end to increasing dependence on reflationary policies. In our opinion, any additional monetary easing measures should be viewed as short-term solutions to prevent Japan from falling back into temporary recession. Our view is that BOJ Governor Kuroda has already done his part, enlarging the monetary base from 100 trillion yen in early 2013 to 400 trillion yen, or 80% of GDP. Rather than more monetary stimulus, what we believe Japan needs right now is a boost in confidence so that Japanese consumers, corporate leaders and investors can become more forward-looking and feel encouraged to spend more money. It has long been argued that Japan's potential economic growth rate (now estimated to be around 0 - 0.5%) has come down along with the country's aging demographics and declining birth rate. In our opinion, this is why structural reforms in the third arrow (recently replaced by Abenomics "2.0") are so important and why we believe they will be such a critical factor shaping Japan's economy going forward.

Critics say that the original vision for Abenomics has failed to deliver. However, we disagree with this myopic view and would argue that it is still too early to dismiss hopes of Japan's long-term turnaround story. As we are all aware, structural reforms generally take a long time to deliver results, and there are a number of initiatives currently in progress that have already started to positively impact the economy. For example, the government drastically cut the corporate income tax rate from 38% to below 30% over the last three years. Moreover, the acceptance of the Stewardship and Corporate Governance Code by institutional investors and publicly-owned companies has allowed for constructive dialogue between the two parties on the more efficient use of capital. There are many more initiatives expected to be introduced by the current government, such as measures to encourage more women and retired seniors to return to the workforce, to promote strategic resource allocation toward the robotics and AI (artificial intelligence) industries and to continue to deregulate the economy overall.

To be clear, we do not believe every one of the government's new policies will be as effective as expected. Nor do we believe a single policy can solve all the economic problems facing Japan. We believe the new initiatives, working in conjunction with each

other as a collection of reforms, will continue to help the Japanese economy to move forward. On this point, we find it encouraging that the government and the BOJ appear to have become more “business friendly,” perhaps realizing how important the corporate sector is to sustainable long-term growth.

Japan is, in our opinion, enjoying a period of political stability, particularly in comparison with other countries in the developed world. Prime Minister Abe enjoys high approval ratings (well above 50%), and the ruling coalition parties are firmly in place in both the Upper and Lower Houses, making it easier to push through reforms. In terms of the outlook for corporate profits in Japan, the earnings and volumes of Japan’s leading exporters are holding up in the face of sharp appreciation of the yen. Although we urge investors to prepare themselves for a decline in aggregate profits over at least the next twelve months due to negative translation effects on overseas earnings, the extent of the damage, in our opinion, will be much more moderate than previously seen, thanks to radical streamlining of costs by Japanese companies after the 2008 global financial crisis. Furthermore, unlike during the ‘90s, companies’ balance sheets are stronger today with steady cash flows being reinvested into core businesses. We believe these favorable trends bode well for corporate earnings in the longer term.

We remain optimistic about the long-term prospects for Japan and its stock market. 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.

Sincerely,



Tadahiro Fujimura
Portfolio Manager,
Hennessy Japan Small Cap Fund;
Chief Investment Officer
SPARX Asset Management Co., Ltd.



Masakazu Takeda
Portfolio Manager,
Hennessy Japan Fund;
Fund Manager
SPARX Asset Management Co., Ltd.

SPARX Asset Management Co., Ltd., located in Tokyo, Japan, is the sub-advisor to the Hennessy Japan Fund and the Hennessy Japan Small Cap Fund.

Past performance does not guarantee future results.

Mutual fund investing involves risk. Principal loss is possible.

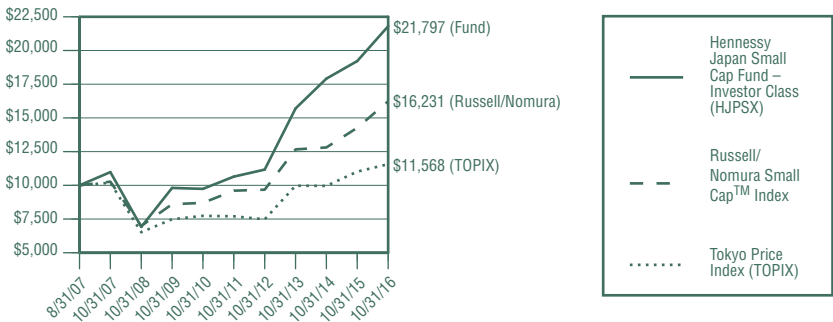
Opinions expressed are those of Tadahiro Fujimura and Masakazu Takeda and are subject to change, are not guaranteed and should not be considered investment advice.

The Tokyo Stock Price Index (TOPIX) is an unmanaged index commonly used to measure the performance of Japanese stocks. One cannot invest directly in an index.

Cash flow can be used as an indication of a company’s financial strength and represents earnings before depreciation, amortization, and non-cash charges. It is the net amount of cash and cash-equivalents moving into and out of business.

Performance Overview (Unaudited)

CHANGE IN VALUE OF \$10,000 INVESTMENT



This graph illustrates the performance of an initial investment of \$10,000 made in the Fund on its inception date and assumes the reinvestment of dividends.

AVERAGE ANNUAL TOTAL RETURN FOR PERIODS ENDED OCTOBER 31, 2016

	One <u>Year</u>	Five <u>Years</u>	Since Inception <u>(8/31/2007)</u>
Hennessy Japan Small Cap Fund (HJPSX)	13.44%	15.41%	8.87%
Hennessy Japan Small Cap Fund – Institutional Class (HJSIX) ⁽¹⁾	13.73%	15.50%	8.91%
Russell/Nomura Small Cap™ Index	13.76%	11.07%	5.43%
Tokyo Price Index (TOPIX)	5.01%	8.47%	1.60%

Expense ratios: 1.88% (Investor Class); 1.47% (Institutional Class)

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 hennessyfund.com.

The expense ratios presented are from the most recent prospectus.

⁽¹⁾ The inception date of Institutional Class shares is June 15, 2015. Performance shown prior to the inception of Institutional Class shares reflects the performance of Investor Class shares and includes expenses that are not applicable to and are higher than those of Institutional Class shares.

PERFORMANCE NARRATIVE

Portfolio Managers Tadahiro Fujimura, CFA and CMA*, and Tetsuya Hirano, CMA*
SPARX Asset Management Co., Ltd. (sub-advisor)

Performance:

For the twelve-month period ended October 31, 2016, the Investor Class of the Hennessy Japan Small Cap Fund returned 13.44%, slightly underperforming the Russell/Nomura Small Cap™ Index, which returned 13.76%, but outperforming the Tokyo Stock Price Index (TOPIX), which returned 5.01%, for the same period, in U.S. Dollar terms.

The largest positive contributors to the Fund's performance among the 33 TOPIX sub-industries were Machinery, Electric Appliances, and Textiles & Apparels. The worst performers were Construction, Glass and Ceramic Products, and Securities & Commodity Futures.

Among the stocks that performed well over the period, TOWA Corporation, which produces semiconductor post-process manufacturing devices, had the greatest positive impact on the Fund's performance. The company suffered from lackluster orders last year, but this year orders recovered as a result of stronger demand from semiconductor customers and aggressive investment supported by the Chinese government. ELECOM Co., Ltd., which manufactures and sells accessories for smartphones and personal computers, also boosted the Fund's performance. Despite the slowing growth of demand for smartphones, demand for cases and other accessories remains strong. The launch of Pokémon Go also raised expectations about greater demand for portable chargers. Fujibo Holdings, Inc. also made a positive contribution to performance. The company is considered a textile company, but it reported strong sales of products used in semiconductor manufacturing processes, an area on which the company has been focusing.

As for laggards, medium-sized construction company Nakano Corporation, which performed well last year, was the company with the greatest negative impact on the Fund's performance this year. The electrical engineering company, Sumitomo Densetsu Co., Ltd., also performed poorly. The market reacted negatively to these stock companies' weak earnings caused by delays with construction projects due to the slow introduction of economic stimulus measures and a shortage of workers. Finally, Tokai Tokyo Financial Holdings, Inc., a stock we added to the portfolio with expectations for growth through its partnerships with regional banks, also detracted from the Fund's performance, as investors worried about how weak stock markets overall would affect the company's business.

Market Outlook:

Although the Bank of Japan announced its new monetary policy framework in January of this year, the Japanese economy still appears to be struggling. The yen remains strong, and Japan's inflation rate remains close to zero. A couple of exogenous events, a typhoon and an earthquake, also interrupted growth patterns. Nevertheless, we believe there is no need to be overly pessimistic. The labor market is tightening, and it appears an upward trend in real wages has been established. We believe consumer sentiment will improve because we expect fully-fledged economic stimulus measures to be enacted now that the upper house election is over. Even looking at recent corporate results, export volumes dropped only slightly despite the appreciation of the yen. If Asia's economy recovers, we believe we can expect greater than projected earnings growth for Japanese companies, even under the current strong yen. Small-cap growth stocks appeared to lose stock price momentum this year but we believe small stocks are very undervalued and we expect them to perform well in the future.

Overall, our investment strategy remains unchanged. We choose companies based on our fundamental bottom-up research. Compared to last year, we see many more companies, both domestic- and external-demand oriented, that we feel are undervalued. We will continue to search for these undervalued stocks throughout the market, regardless of the industry in which they may operate. We believe the market may be losing interest in high-growth stocks and may start to pay more attention to valuation metrics in the coming quarters. As a result, we will be focusing even more on valuations when selecting companies for the Fund's portfolio.

* Chartered Member of the Security Analysts Association of Japan

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 Russell/Nomura Small Cap™ Index contains the bottom 15% of the Russell/Nomura Total Market™ Index, which contains the top 98% of all stocks listed on Japan's stock exchange and registered on Japan's OTC market in terms of market capitalization. The Tokyo Price Index (TOPIX) is a market capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange. One cannot invest directly in an index.

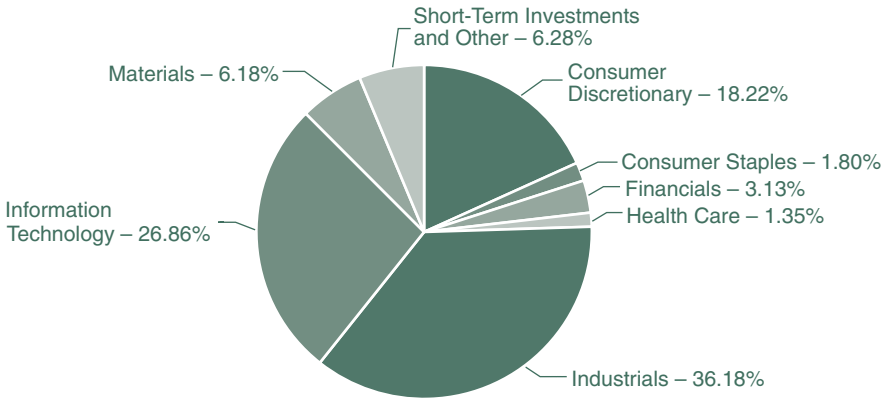
The Fund invests in small and medium capitalized companies, which may have more limited liquidity and greater price volatility than large capitalization companies. The Fund invests in the stocks of companies operating in Japan; single-country funds may be subject to a higher degree of risk. The Fund may experience higher fees due to investments in pooled investment vehicles (including ETFs). Please see the Fund's prospectus for a more complete discussion of these and other risks.

Earnings growth is not a measure of the fund's future performance.

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.

HENNESSY JAPAN SMALL CAP FUND

(% of Net Assets)



TOP TEN HOLDINGS (EXCLUDING CASH/CASH EQUIVALENTS)

% NET ASSETS

Hanwa Co., Ltd.	2.44%
DCM Holdings Co., Ltd.	2.38%
Fujibo Holdings, Inc.	2.35%
Daihen Corp.	2.21%
BELLSYSTEM24 Holdings, Inc.	2.12%
Kito Corp.	2.10%
Towa Corp.	2.08%
Kyosan Electric Manufacturing Co., Ltd.	2.06%
Amano Corp.	2.03%
Hakudo Co., Ltd.	2.03%

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 – 93.72%

	Number of Shares	Value	% of Net Assets
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Consumer Discretionary – 18.22%

Aeon Fantasy Co.	15,700	\$ 487,303	1.64%
DCM Holdings Co., Ltd.	80,500	706,208	2.38%
Doshisha Co., Ltd.	24,100	499,144	1.68%
Fujiibo Holdings, Inc.	22,000	697,530	2.35%
Hagihara Industries, Inc.	12,500	293,578	0.99%
Honeys Co., Ltd.	40,000	471,059	1.59%
Komeri Co., Ltd.	16,000	391,647	1.32%
Parco Co., Ltd.	51,400	476,897	1.61%
Seiren Co., Ltd.	35,100	411,681	1.39%
Starts Corp., Inc.	24,200	450,217	1.52%
Tasaki & Co., Ltd.	36,600	517,572	1.75%
		5,402,836	18.22%

Consumer Staples – 1.80%

Japan Meat Co., Ltd.	20,800	292,949	0.99%
Yamaya Corp.	16,600	241,711	0.81%
		534,660	1.80%

Financials – 3.13%

INTELLEX Co., Ltd.	63,200	435,717	1.47%
Tokai Tokyo Financial Holdings, Inc.	96,600	491,889	1.66%
		927,606	3.13%

Health Care – 1.35%

Ship Healthcare Holdings, Inc.	13,700	401,712	1.35%
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Industrials – 36.18%

BELLSYSTEM24 Holdings, Inc.	66,800	627,424	2.12%
Benefit One, Inc.	16,600	481,205	1.62%
Daihen Corp.	113,000	656,213	2.21%
Daiichi Jitsugyo, Inc.	77,000	427,329	1.44%
DMG Mori Seiki Co., Ltd.	25,000	265,805	0.90%
Hanwa Co., Ltd.	118,000	723,505	2.44%
Hito Communication, Inc.	18,000	263,126	0.89%
Kanematsu Corp.	223,000	367,875	1.24%
Kito Corp.	65,800	624,306	2.10%
Kitz Corp.	80,800	465,369	1.57%
Kondotec, Inc.	57,100	436,676	1.47%

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

COMMON STOCKS

	Number of Shares	Value	% of Net Assets
Industrials (Continued)			
Maeda Kosen Co., Ltd.	25,500	\$ 283,279	0.96%
Miyaji Engineering Group, Inc.	173,000	285,391	0.96%
Nakano Corp.	88,800	361,568	1.22%
Nihon Trim Co., Ltd.	3,600	162,716	0.55%
Nissei ASB Machine Co., Ltd.	20,600	372,045	1.25%
Nittoku Engineering Co., Ltd.	43,000	530,991	1.79%
Okamura Corp.	51,600	507,291	1.71%
Ryobi, Ltd.	101,000	407,390	1.37%
Sanko Gosei, Ltd.	134,000	376,943	1.27%
Sinfonia Technology Co., Ltd.	80,000	147,230	0.50%
Sumitomo Densetsu Co., Ltd.	27,700	307,719	1.04%
Takeei Corp.	60,000	492,038	1.66%
Tocalo Co., Ltd.	20,300	456,445	1.54%
Tonami Holdings Co., Ltd.	113,000	304,939	1.03%
Toppan Forms Co., Ltd.	39,600	394,603	1.33%
		10,729,421	36.18%
Information Technology – 26.86%			
Aichi Tokei Denki Co., Ltd.	15,600	476,018	1.60%
Aiphone Co., Ltd.	26,300	463,203	1.56%
Amano Corp.	32,300	602,141	2.03%
Digital Garage, Inc.	25,400	481,261	1.62%
Elecom Co., Ltd.	28,400	581,974	1.96%
Information Services International – Dentsu, Ltd.	28,100	488,474	1.65%
Itfor, Inc.	82,900	485,369	1.64%
Koa Corp.	63,400	584,608	1.97%
Kyosan Electric Manufacturing Co., Ltd.	164,000	609,898	2.06%
Mimaki Engineering Co., Ltd.	60,000	336,416	1.13%
Nihon Unisys, Ltd.	42,800	522,807	1.76%
Soliton Systems K.K.	52,900	583,126	1.97%
TKC Corp.	15,000	444,121	1.50%
Towa Corp.	53,400	616,134	2.08%
V-cube, Inc.	28,400	220,982	0.74%
Yokowo Co., Ltd.	69,100	470,462	1.59%
		7,966,994	26.86%

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

COMMON STOCKS

	Number of Shares	Value	% of Net Assets
Materials – 6.18%			
Aichi Steel Corp.	11,400	\$ 550,052	1.86%
Asia Pile Holdings Co.	55,500	231,801	0.78%
Fujikura Kasei Co., Ltd.	74,300	448,478	1.51%
Hakudo Co., Ltd.	52,000	600,973	2.03%
		1,831,304	6.18%
Total Common Stocks			
(Cost \$23,504,681)		27,794,533	93.72%

SHORT-TERM INVESTMENTS – 5.31%

Money Market Funds – 5.31%			
Fidelity Government Portfolio, Institutional Class, 0.27% (a)	1,466,000	1,466,000	4.94%
The Government & Agency Portfolio, Institutional Class, 0.29% (a)	109,518	109,518	0.37%
		1,575,518	5.31%
Total Short-Term Investments			
(Cost \$1,575,518)		1,575,518	5.31%
Total Investments			
(Cost \$25,080,199) – 99.03%		29,370,051	99.03%
Other Assets in Excess of Liabilities – 0.97%		289,024	0.97%
TOTAL NET ASSETS – 100.00%			
		\$29,659,075	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.

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
Common Stocks				
Consumer Discretionary	\$ 5,402,836	\$ —	\$ —	\$ 5,402,836
Consumer Staples	534,660	—	—	534,660
Financials	927,606	—	—	927,606
Health Care	401,712	—	—	401,712
Industrials	10,729,421	—	—	10,729,421
Information Technology	7,966,994	—	—	7,966,994
Materials	1,831,304	—	—	1,831,304
Total Common Stocks	\$27,794,533	\$ —	\$ —	\$27,794,533
Short-Term Investments				
Money Market Funds	\$ 1,575,518	\$ —	\$ —	\$ 1,575,518
Total Short-Term Investments	\$ 1,575,518	\$ —	\$ —	\$ 1,575,518
Total Investments	\$29,370,051	\$ —	\$ —	\$29,370,051

Transfers between levels are recognized at the end of the reporting period. During the year ended October 31, 2016, the Fund recognized significant transfers between Levels 1 and 2.

Transfers between Level 1 and Level 2 relate to the use of fair valuation pricing service. On days when the fair valuation pricing service is used, non-U.S. dollar denominated securities move from a Level 1 to a Level 2 classification. 100% of common stock held at October 31, 2015, were classified as Level 2. Such securities still held at October 31, 2016, were transferred to Level 1. Other than transfers due to the fair value pricing services, no transfers were recognized.

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 \$25,080,199)	\$29,370,051
Dividends and interest receivable	225,312
Receivable for fund shares sold	156,936
Receivable for securities sold	45,783
Prepaid expenses and other assets	15,991
Total Assets	<u>29,814,073</u>

LIABILITIES:

Payable for fund shares redeemed	83,761
Payable to advisor	19,839
Payable to administrator	5,055
Payable to auditor	20,780
Accrued distribution fees	3,672
Accrued service fees	2,191
Accrued trustees fees	3,898
Accrued expenses and other payables	15,802
Total Liabilities	<u>154,998</u>

NET ASSETS

\$29,659,075

NET ASSETS CONSIST OF:

Capital stock	\$25,186,805
Accumulated net investment loss	7,575
Accumulated net realized gain on investments	183,684
Unrealized net appreciation on investments	4,281,011
Total Net Assets	<u>\$29,659,075</u>

NET ASSETS

Investor Class:

Shares authorized (no par value)	Unlimited
Net assets applicable to outstanding Investor Class shares	\$26,234,961
Shares issued and outstanding	2,323,751
Net asset value, offering price and redemption price per share	<u>\$11.29</u>

Institutional Class:

Shares authorized (no par value)	Unlimited
Net assets applicable to outstanding Institutional Class shares	\$ 3,424,114
Shares issued and outstanding	302,159
Net asset value, offering price and redemption price per share	<u>\$11.33</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 ⁽¹⁾	\$ 590,950
Interest income	2,938
Total investment income	<u>593,888</u>

EXPENSES:

Investment advisory fees (See Note 5)	254,407
Sub-transfer agent expenses – Investor Class (See Note 5)	59,510
Sub-transfer agent expenses – Institutional Class (See Note 5)	5,511
Federal and state registration fees	34,637
Administration, fund accounting, custody and transfer agent fees (See Note 5)	26,692
Distribution fees – Investor Class (See Note 5)	24,613
Service fees – Investor Class (See Note 5)	24,237
Compliance expense (See Note 5)	23,710
Audit fees	21,473
Reports to shareholders	15,394
Trustees' fees and expenses	15,125
Legal fees	2,507
Interest expense (See Note 7)	144
Other expenses	5,307
Total expenses	<u>513,267</u>

NET INVESTMENT INCOME

\$ 80,621

REALIZED AND UNREALIZED GAINS:

Net realized gain on investments	\$ 284,136
Net change in unrealized appreciation on investments	<u>3,031,098</u>
Net gain on investments	<u>3,315,234</u>

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

\$3,395,855

⁽¹⁾ Net of foreign taxes withheld of \$65,661.

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

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Financial Statements

Statements of Changes in Net Assets

	Year Ended October 31, 2016	Year Ended October 31, 2015
OPERATIONS:		
Net investment income (loss)	\$ 80,621	\$ (71,370)
Net realized gain on investments	284,136	980,030
Net change in unrealized appreciation (depreciation) on investments	<u>3,031,098</u>	<u>(324,113)</u>
Net increase in net assets resulting from operations	<u>3,395,855</u>	<u>584,547</u>
DISTRIBUTIONS TO SHAREHOLDERS FROM:		
Net realized gains		
Investor Class	(821,234)	(1,537,113)
Institutional Class	<u>(94,663)</u>	<u>—</u>
Total distributions	<u>(915,897)</u>	<u>(1,537,113)</u>
CAPITAL SHARE TRANSACTIONS:		
Proceeds from shares subscribed – Investor Class	11,724,005	19,602,053
Proceeds from shares subscribed – Institutional Class	1,833,391	3,944,130
Dividends reinvested – Investor Class	815,922	1,515,157
Dividends reinvested – Institutional Class	94,664	—
Cost of shares redeemed – Investor Class	(11,136,397)	(16,864,362)
Cost of shares redeemed – Institutional Class	<u>(1,481,809)</u>	<u>(1,278,434)</u>
Net increase in net assets derived from capital share transactions	<u>1,849,776</u>	<u>6,918,544</u>
TOTAL INCREASE IN NET ASSETS	<u>4,329,734</u>	<u>5,965,978</u>
NET ASSETS:		
Beginning of year	<u>25,329,341</u>	<u>19,363,363</u>
End of year	<u>\$29,659,075</u>	<u>\$ 25,329,341</u>
Undistributed net investment income (loss), end of year	<u>\$ 7,575</u>	<u>\$ (81,572)</u>
CHANGES IN SHARES OUTSTANDING:		
Shares sold – Investor Class	1,125,046	1,882,041
Shares sold – Institutional Class	181,517	375,953
Shares issued to holders as reinvestment of dividends – Investor Class	81,186	160,845
Shares issued to holders as reinvestment of dividends – Institutional Class	9,401	—
Shares redeemed – Investor Class	(1,087,726)	(1,679,167)
Shares redeemed – Institutional Class	<u>(145,946)</u>	<u>(118,766)</u>
Net increase in shares outstanding	<u>163,478</u>	<u>620,906</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:

Net asset value, beginning of year

Income from investment operations:

Net investment income (loss)

Net realized and unrealized gains on investments

Total from investment operations

Less distributions:

Dividends from net investment income

Dividends from net realized gains

Total distributions

Net asset value, end of year

TOTAL RETURN

SUPPLEMENTAL DATA AND RATIOS:

Net assets, end of year (millions)

Ratio of expenses to average net assets

Ratio of net investment income (loss) to average net assets

Portfolio turnover rate⁽¹⁾

⁽¹⁾ Portfolio turnover is calculated on the basis of the Fund as a whole.

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>\$10.29</u>	<u>\$10.51</u>	<u>\$11.70</u>	<u>\$10.54</u>	<u>\$10.09</u>
0.03	(0.02)	(0.04)	0.06	(0.68)
<u>1.31</u>	<u>0.71</u>	<u>1.36</u>	<u>3.44</u>	<u>1.17</u>
<u>1.34</u>	<u>0.69</u>	<u>1.32</u>	<u>3.50</u>	<u>0.49</u>
—	—	—	—	(0.04)
<u>(0.34)</u>	<u>(0.91)</u>	<u>(2.51)</u>	<u>(2.34)</u>	<u>—</u>
<u>(0.34)</u>	<u>(0.91)</u>	<u>(2.51)</u>	<u>(2.34)</u>	<u>(0.04)</u>
<u>\$11.29</u>	<u>\$10.29</u>	<u>\$10.51</u>	<u>\$11.70</u>	<u>\$10.54</u>
13.44%	7.37%	13.99%	40.59%	4.91%
\$26.23	\$22.68	\$19.36	\$14.82	\$5.11
1.91%	2.12%	2.24%	2.39%	2.33%
0.25%	(0.38)%	(0.39)%	(0.11)%	(0.66)%
22%	75%	63%	141%	49%

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

Financial Statements

Financial Highlights

For an Institutional Class share outstanding throughout each year

	Year Ended October 31,	
	2016	2015 ⁽¹⁾
PER SHARE DATA:		
Net asset value, beginning of year	\$10.30	\$10.89
Income from investment operations:		
Net investment income (loss)	0.06	(0.01)
Net realized and unrealized gains (losses) on investments	1.31	(0.58)
Total from investment operations	1.37	(0.59)
Less distributions:		
Dividends from net investment income	—	—
Dividends from net realized gains	(0.34)	—
Total distributions	(0.34)	—
Net asset value, end of year	\$11.33	\$10.30
TOTAL RETURN	13.73%	(5.42)% ⁽²⁾
SUPPLEMENTAL DATA AND RATIOS:		
Net assets, end of year (millions)	\$3.42	\$2.65
Ratio of expenses to average net assets	1.63%	1.86% ⁽³⁾
Ratio of net investment income (loss) to average net assets	0.63%	(1.04)% ⁽³⁾
Portfolio turnover rate ⁽⁴⁾	22%	75% ⁽²⁾

⁽¹⁾ The Institutional Class shares commenced operations on June 15, 2015.

⁽²⁾ Not annualized.

⁽³⁾ Annualized.

⁽⁴⁾ Portfolio turnover is calculated on the basis of the Fund as a whole.

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

1). ORGANIZATION

The Hennessy Japan Small Cap 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 Hennessy SPARX Funds Trust, a Massachusetts business trust, 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 corresponding shares of the Predecessor Fund). The Fund did not have Institutional Class shares until June 15, 2015. The investment objective of the Fund is long-term capital appreciation. The Fund is a diversified fund.

The Fund offers Investor Class and Institutional Class shares. Each class of shares differs principally in its respective administration, 12b-1 distribution and service, shareholder servicing, and transfer agent expenses and sales charges, if any. Each class has identical rights to earnings, assets, and voting privileges, except for class-specific expenses and exclusive rights to vote on matters affecting only an individual class.

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>
\$8,526	\$(8,526)	\$ —

- 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. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its respective net assets.
- e). Distributions to Shareholders – Dividends from net investment income for the Fund, if any, are declared and paid annually, usually in December. 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). Foreign Currency – Values of investments denominated in foreign currencies are converted into U.S. dollars using the spot market rate of exchange at the time of valuation. Purchases and sales of investments and income are translated into U.S. dollars using the spot market rate of exchange prevailing on the respective dates of such transactions. The Fund does not isolate the portion of the results of operations resulting from fluctuations in foreign exchange rates on investments from fluctuations resulting from changes in the market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on

investments. Foreign investments present additional risks due to currency fluctuations, economic and political factors, lower liquidity, government regulations, differences in accounting standards, and other factors.

- j). Forward Contracts – The Fund may enter into forward currency contracts to reduce its exposure to changes in foreign currency exchange rates on its foreign holdings and to lock in the U.S. dollar cost of firm purchase and sale commitments for securities denominated in foreign currencies. A forward currency contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the U.S. dollar cost of the original contract and the value of the foreign currency in U.S. dollars upon closing of such contract is included in net realized gain or loss from foreign currency transactions. During the fiscal year ended October 31, 2016, the Fund did not enter into any forward contracts.
- k). 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.

- l). Derivatives – The Fund may invest in, or enter into, derivatives, such as options, futures contracts, options on futures contracts, and swaps, for a variety of reasons, including to hedge certain risks, to provide a substitute for purchasing or selling particular securities, or to increase potential income gain. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives may allow the Fund to increase or decrease the level of risk to which the Fund is exposed more quickly and efficiently than transactions in other types of instruments. The main purpose of utilizing derivative instruments is for hedging purposes.

The Fund follows the financial accounting reporting rules as required by the Derivatives and Hedging Topic of the FASB Accounting Standards Codification. Under such rules, the Fund is required to include enhanced disclosure that enables investors to understand how and why an entity uses derivatives, how derivatives are accounted for, and how derivatives instruments affect an entity's results of operations and financial position. During the fiscal year ended October 31, 2016, the Fund did not hold any derivative instruments.

- m). 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, foreign-issued common 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. Securities traded on foreign exchanges generally are not valued at the same time the Fund calculates its NAV because most foreign markets close well before such time. The earlier close of most foreign markets gives rise to the possibility that significant events, including broad market moves, may have occurred in the interim. In certain circumstances, it may be determined that a security needs to be fair valued because it appears that the value of the security might have been materially affected by events occurring after the close of the market in which the security is principally traded, but before the time the Fund calculates its NAV, such as by a development that affects an entire market or region (e.g., weather-related events) or a potentially global development (e.g., a terrorist attack that may be expected to have an effect on investor expectations worldwide).

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 fair valuation of foreign securities may be determined with the assistance of a pricing service using correlations between the movement of prices of such securities and indices of domestic securities and other appropriate indicators, such as closing market prices of relevant American Depositary Receipts or futures contracts. The effect of using fair value pricing is that the Fund's NAV will reflect the affected portfolio securities' value as determined by the Board or its designee instead of being determined by the market. Using a fair value pricing methodology to price foreign securities may result in a value that is different from a foreign security's most recent closing price and from the prices used by other investment companies to calculate their NAVs and are generally considered Level 2 prices in the fair valuation hierarchy. Because the Fund may invest in foreign securities, the value of the Fund's portfolio securities may change on days when you will not be able to purchase or redeem your shares.

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 \$7,342,656 and \$5,775,798, 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 1.20% until March 1, 2016, at which time the fee was reduced to an annual rate of 0.80%. The net investment advisory fees payable by the Fund as of October 31, 2016, were \$19,839.

The Advisor has delegated the day-to-day management of the Fund to a sub-advisor, SPARX Asset Management Co., Ltd. The Advisor pays the sub-advisor fees from its own assets and these fees are not an additional expense of the Fund. For the most recent fiscal year, the Advisor (not the Fund) paid a sub-advisory fee, based upon the daily net assets of the Fund, at the rate of 0.20%.

The Board has approved a Shareholder Servicing Agreement for Investor Class shares of 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 attributable to Investor Class shares. Shareholder service fees payable by the Fund as of October 31, 2016, were \$2,191.

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 attributable to Investor Class shares. Even though the authorized rate is up to 0.25%, the Fund has only used up to 0.15% of its average daily net assets attributable to Investor Class shares for such purpose since the plan was implemented on March 1, 2016. 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 \$65,021.

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 \$26,692.

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 Hennessy Balanced 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 \$4,052 and 3.47%, respectively. The maximum amount outstanding for the Fund during the period was \$326,000. 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	\$ 25,477,307
Gross tax unrealized appreciation	\$ 5,223,148
Gross tax unrealized depreciation	(1,330,404)
Net tax unrealized appreciation	\$ 3,892,744
Undistributed ordinary income	\$ 588,367
Undistributed long-term capital gains	—
Total distributable earnings	\$ 588,367
Other accumulated loss	\$ (8,841)
Total accumulated gain	\$ 4,472,270

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 and passive foreign investment companies.

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 ⁽¹⁾	\$ 3	\$ 362,445
Long-term capital gain	915,894	1,174,668
	<u>\$915,897</u>	<u>\$1,537,113</u>

⁽¹⁾ 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:

	Short-term Amount Per Share
Investor Class	\$0.10008
Institutional Class	\$0.33984

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Report of Independent Registered Public Accounting Firm

The Board of Trustees of Hennessy Funds Trust
and Shareholders of the Hennessy Japan Small Cap Fund:

We have audited the accompanying statement of assets and liabilities of the Hennessy Japan Small Cap 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⁽¹⁾</u>
Disinterested Trustees and Advisers			
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⁽¹⁾**

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⁽²⁾

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.

Name, (Year of Birth), and Position Held with the Trust	Start Date of Service	Principal Occupation(s) During Past Five Years
David Ellison (1958) ⁽³⁾ <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) ⁽³⁾ <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) ⁽⁴⁾ <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.

⁽¹⁾ 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.

⁽²⁾ 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.

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

⁽⁴⁾ 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 under the “Investor Class” and “Institutional Class” headings 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 “Investor Class” and “Institutional Class” headings in the column 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 under the “Investor Class” and “Institutional Class” headings 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 under the “Investor Class” and “Institutional Class” headings 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.

	Beginning Account Value <u>May 1, 2016</u>	Ending Account Value <u>October 31, 2016</u>	Expenses Paid During Period ⁽¹⁾ May 1, 2016 – <u>October 31, 2016</u>
Investor Class			
Actual	\$1,000.00	\$1,103.60	\$9.78
Hypothetical (5% return before expenses)	\$1,000.00	\$1,015.84	\$9.37
Institutional Class			
Actual	\$1,000.00	\$1,105.40	\$8.10
Hypothetical (5% return before expenses)	\$1,000.00	\$1,017.44	\$7.76

⁽¹⁾ Expenses are equal to the Fund's annualized expense ratio of 1.85% for Investor Class shares or 1.53% for Institutional Class shares, as applicable, 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; or (3) on the U.S. Securities and Exchange Commission's website at 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 and the SEC's website at 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. 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 0%.

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 0%.

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 0%.

For the year ended October 31, 2016, the Fund earned foreign source income and paid foreign taxes, as noted below, which it intends to pass through to its shareholders pursuant to Section 853 of the Internal Revenue Code.

	Gross Foreign Income	Foreign Tax Paid
Japan	<u>656,621</u>	<u>65,662</u>
	<u>656,621</u>	<u>65,662</u>

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*

1-800-966-4354 or 1-415-899-1555

INVESTMENT ADVISOR

Hennessy Advisors, Inc.
7250 Redwood Blvd., Suite 200
Novato, California 94945

**ADMINISTRATOR,
TRANSFER AGENT,
DIVIDEND PAYING AGENT &
SHAREHOLDER SERVICING AGENT**

U.S. Bancorp Fund Services, LLC
P.O. Box 701
Milwaukee, Wisconsin 53201-0701

CUSTODIAN

U.S. Bank N.A.
Custody Operations
1555 North River Center Dr., Suite 302
Milwaukee, Wisconsin 53212

TRUSTEES

Neil J. Hennessy
Robert T. Doyle
J. Dennis DeSousa
Gerald P. Richardson

COUNSEL

Foley & Lardner LLP
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-5306

**INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

KPMG LLP
200 East Randolph Street
Chicago, Illinois 60601

DISTRIBUTOR

Quasar Distributors, LLC
615 East Michigan Street
Milwaukee, Wisconsin 53202



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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.