



HENNESSY
FUNDS

ANNUAL REPORT

OCTOBER 31, 2017



HENNESSY JAPAN SMALL CAP FUND

Investor Class **HJPSX**

Institutional Class **HJSIX**

Investing, Uncompromised

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Dear Hennessy Funds Shareholder:

During the 12-month period ended October 31, 2017, the Japanese stock market, as measured by the Tokyo Stock Price Index (TOPIX), increased over 19% in U.S. dollar terms.

Although there was a large decline in the Japanese market on the day after the U.S. presidential election in November 2016, the market rebounded over the next several days and gained ground steadily thereafter, spurred by two factors. First, the yen continued to weaken against the U.S. dollar, as a result of expectations for higher interest rates in the U.S. The weak currency encouraged investors to bid up the stock prices of export-oriented Japanese companies in anticipation of higher earnings. Second, market participants raised their expectations for economic growth in the U.S., hoping that President-elect Trump would loosen fiscal policy and jump-start government spending, thereby providing a boost to economic growth globally, which would benefit Japan.

The start of 2017 saw minor ebbs and flows in the Japanese stock market. Although the U.S. market continued to rally and provide support for Japanese equities, the Japanese stock market moved sideways for a period as investors became concerned that the exchange rate, which had stalled at 115 yen to one U.S. dollar, would weaken no further. Over the summer months, the Japanese stock market continued to fluctuate, rising when the yen was weak and falling when the yen rallied.

The landslide victory in the Lower House for the incumbent Liberal Democratic Party on October 22, 2017, provided a catalyst for investors, securing a stable political backdrop for equities and giving Prime Minister Abe an even stronger mandate to continue with his economic reforms. Japanese equities rallied enthusiastically on the news and continued to rise through the end of the period, buoyed also by strong corporate profits growth and confirmation from the Federal Reserve in the U.S. that the central bank would continue with a policy of very gradual monetary tightening.

With stocks trading at 15x 2017 earnings, Japan remains an attractive market for global investors. Over the past five years, corporate earnings per share and the TOPIX have both risen by about 120%. In other words, even though the Japanese market has risen, it has not seen any multiple expansion over this time period and is no more expensive today relative to earnings than it was five years ago. In the third calendar quarter, Japan's GDP grew for the 10th straight quarter, completing the longest stretch of growth since 2006. Such growth was the result of stronger personal consumption (despite the geopolitical concerns over North Korea) and higher capital spending. With Prime Minister Abe's Liberal Democratic Party landslide victory in the Lower House election in October, we expect business-friendly and pro-growth policies to continue, keeping the economy improving. We believe Japan continues to move in the right direction with a pro-growth central bank and a reform-minded government implementing structural reforms.

While Japan continues to enjoy political stability and a sound corporate profits growth environment, we would like to reiterate our call for an acceleration in structural reforms to raise Japan's potential economic growth rate. We believe these reforms have the power to raise consumer and business confidence so that economic actors can become more forward-looking and possibly prompted to spend money that, in turn, could produce a welcome increase in inflationary pressures. On this point, we find it encouraging that the government and the Bank of Japan have been, and we expect them to continue to be, mindful of the priorities of the business community in the pursuit of sustainable, long-term growth.

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.

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.

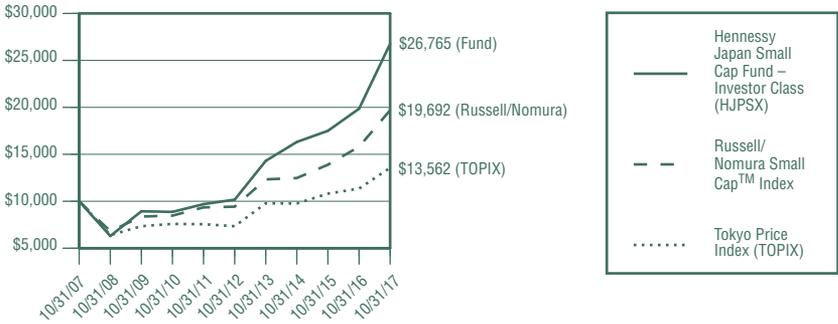
Opinions expressed are those of Tadahiro Fujimura and Masakazu Takeda and are subject to change, are not guaranteed and should not be considered investment advice.

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.

Earnings per share is the portion of a company's profit allocated to each outstanding share of common stock. It serves as an indicator of a company's profitability.

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 ten years ago and assumes the reinvestment of dividends.

AVERAGE ANNUAL TOTAL RETURN FOR PERIODS ENDED OCTOBER 31, 2017

	<u>One Year</u>	<u>Five Years</u>	<u>Ten Years</u>
Hennessy Japan Small Cap Fund – Investor Class (HJPSX)	34.82%	21.35%	10.35%
Hennessy Japan Small Cap Fund – Institutional Class (HJSIX) ⁽¹⁾	35.17%	21.50%	10.41%
Russell/Nomura Small Cap™ Index	24.61%	15.88%	7.01%
Tokyo Price Index (TOPIX)	19.47%	13.06%	3.09%

Expense ratios: 1.84% (Investor Class); 1.51% (Institutional Class)

⁽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 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 table does 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.

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.

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The expense ratios presented are from the most recent prospectus. The expense ratios for the current reporting period are available in the Financial Highlights section of this report.

PERFORMANCE NARRATIVE

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

Performance:

For the 12-month period ended October 31, 2017, the Investor Class of the Hennessy Japan Small Cap Fund returned 34.82%, outperforming both the Russell/Nomura Small Cap™ Index and the Tokyo Stock Price Index (TOPIX), which returned 24.61% and 19.47% for the same period, respectively, in U.S. Dollar terms.

The largest positive contributors to the Fund's performance among the 33 TOPIX sub-industries were Machinery and Electric Appliances. Over the period, Machinery companies performed well due to strong demand for automation products used to improve factory productivity. In the latter half of the period, Electric Appliances companies contributed most to the positive performance of the Fund, driven by demand for semiconductors. The Fund's strategy of avoiding investments in banks also contributed positively to the Fund's performance. The worst performing sector was Insurance.

Among the stocks that performed well over the period, Nittoku Engineering Co., Ltd., which produces automatic winding machines, had the greatest positive impact on the Fund's performance. Strong demand for products used in electric vehicles, such as coil-forming machines, was one of the main drivers of the company's good performance. Another positive contributor to Fund performance was KOA Corporation, which produces resistors. Demand from customers producing in-vehicle parts and electric appliances such as air conditioners remained strong, which supported an improvement in the company's profitability. Nissei ASB Machine Co., Ltd., the world's second largest manufacturer of machines that produce plastic bottles, was another positive contributor. Favorable changes in several developing countries, including India, helped increase sales volumes.

As for laggards, Adastria Co., Ltd., a women's apparel retailer, was the worst performer this year. Sales in Japan were below market expectations due to some unusual weather events. Additionally, due to stiff competition, the company's operations in China also disappointed investors. Toyo Denki Seizo K.K., an electrical equipment producer for drive trains and automobile testing equipment, also detracted from performance. Orders had been strong, but its earnings were impacted by a delay in the opening of a new factory and worsening profitability. Press Kogyo Co., Ltd., a producer of auto components, also performed poorly as earnings were impacted by the slower than expected recovery in profitability of the company's operations in Thailand. The Fund continues to hold all companies mentioned expect for Adastria and Press Kogyo.

Portfolio Strategy:

The Fund seeks long-term capital appreciation by investing in securities of smaller Japanese companies, defined as those with market capitalizations in the bottom 15% of all Japanese companies. It screens for small-caps that we believe have strong businesses and management, and are trading at an attractive price. Through in-depth and rigorous

analysis and on-site research, we identify stocks with a “value gap.” The portfolio is limited to our best ideas and is unconfined to benchmarks.

Investment Commentary:

Some investors have already started to express concern over the possibility of a correction in the Japanese stock market, which closed at its highest level in the last 20 years on November 9, 2017. However, when we consider Japan’s performance, especially over a longer time frame, the Japanese stock market’s recent rally looks less troubling. The Japanese market has been supported recently by strong fundamental factors, such as the good performance of the U.S. stock market, robust corporate profits growth, a weaker yen, and a stable situation politically. Moreover, since the 1990s, the Japanese stock market has lagged behind other developed countries’ markets significantly, due, in part, to the problem of persistent deflation. We believe the recent rally is only the start of a recovery in performance for the Japanese stock market, and that at the current level, the market has not fully priced in the improvement in the inflationary environment or the other economic and regulatory achievements of the recent past. Moreover, the PE multiple of the market remains consistent with its near-term historical averages and well below its long-term historical averages. Considering the growth potential for Japanese companies, we believe the market remains attractive going forward. Small caps outperformed large caps this past year, but they remain attractive due to their higher growth potential.

Our investment strategy remains unchanged. We invest in companies based on our fundamental bottom-up approach. In the current environment, we believe smaller and newer companies have more opportunities to grow than companies in more established industries. We intend to focus our investments to take advantage of structural changes brought about by technological innovation, an aging society, and other economic and social developments.

* 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.

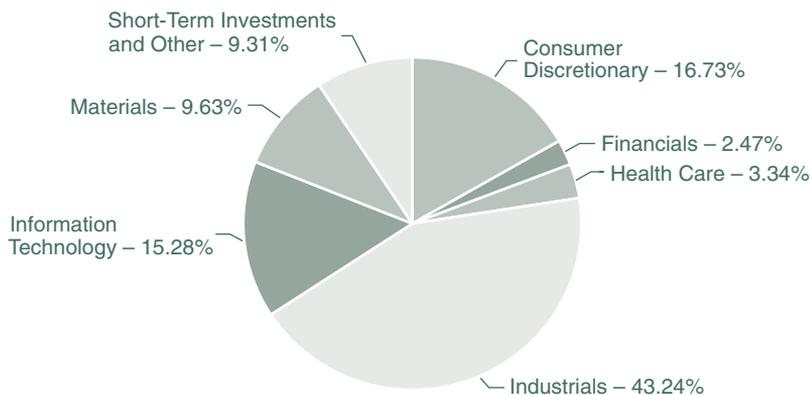
The Russell/Nomura Small Cap™ Index contains the bottom 15% of the Russell/Nomura Total Market™ Index, which contains the top 98% of all stocks listed on Japan’s stock exchange and registered on Japan’s OTC market in terms of market capitalization. The Tokyo Price Index (TOPIX) is a market capitalization-weighted 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-capitalization 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.

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

MIRAIT Holdings Corp.	2.01%
LINTEC Corp.	1.95%
Hanwa Co., Ltd.	1.94%
Mimaki Engineering Co., Ltd.	1.92%
Nippon Koei Co., Ltd.	1.90%
Sanko Gosei, Ltd.	1.90%
Nihon Unisys, Ltd.	1.88%
BELLSYSTEM24 Holdings, Inc.	1.87%
Asia Pile Holdings Co.	1.86%
Hamakyorex Co., Ltd.	1.86%

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 – 90.69%

	Number of Shares	Value	% of Net Assets
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Consumer Discretionary – 16.73%

Adastria Co., Ltd.	39,000	\$ 850,060	0.86%
Aeon Fantasy Co.	21,900	859,939	0.87%
DCM Holdings Co., Ltd.	192,500	1,768,435	1.79%
Doshisha Co., Ltd.	81,400	1,788,757	1.82%
Foster Electric Co., Ltd.	74,200	1,741,571	1.77%
Hiramatsu, Inc.	255,100	1,405,986	1.43%
Honeys Co., Ltd.	123,100	1,302,725	1.32%
Nippon Seiki Co., Ltd.	65,000	1,506,248	1.53%
Pacific Industrial Co., Ltd.	72,700	945,306	0.96%
Seiren Co., Ltd.	79,800	1,392,798	1.41%
Starts Corp., Inc.	66,500	1,803,552	1.83%
Sun Corp.	165,500	1,127,110	1.14%
		16,492,487	16.73%

Financials – 2.47%

AEON Financial Service Co., Ltd.	61,600	1,322,951	1.34%
INTELLEX Co., Ltd.	59,700	525,389	0.54%
Lifenet Insurance Co.	165,100	583,057	0.59%
		2,431,397	2.47%

Health Care – 3.34%

JEOL Ltd.	302,000	1,599,747	1.62%
Ship Healthcare Holdings, Inc.	54,200	1,694,937	1.72%
		3,294,684	3.34%

Industrials – 43.24%

BELLSYSTEM24 Holdings, Inc.	168,600	1,845,079	1.87%
Benefit One, Inc.	70,600	1,356,325	1.38%
Bunka Shutter Co., Ltd.	169,500	1,444,462	1.47%
Daihen Corp.	157,000	1,414,714	1.43%
Fuji Machine Manufacturing Co., Ltd.	83,600	1,594,554	1.62%
Hamakyorex Co., Ltd.	65,300	1,832,413	1.86%
Hanwa Co., Ltd.	50,300	1,909,130	1.94%
Hito Communication, Inc.	97,400	1,719,931	1.74%
Kanematsu Corp.	139,100	1,829,931	1.86%
Kito Corp.	134,300	1,724,867	1.75%
Kondotec, Inc.	147,100	1,561,963	1.58%

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.	78,900	\$ 1,369,702	1.39%
MIRAIT Holdings Corp.	151,300	1,977,132	2.01%
Nippon Koei Co., Ltd.	51,000	1,873,211	1.90%
Nippon Yusoki Co., Ltd.	165,700	1,217,660	1.24%
Nissei ASB Machine Co., Ltd.	35,600	1,581,979	1.60%
Nittoku Engineering Co., Ltd.	38,400	1,476,981	1.50%
Okamura Corp.	159,400	1,788,210	1.81%
Sanko Gosei, Ltd.	376,100	1,872,876	1.90%
Sato Holdings Corp.	52,700	1,282,286	1.30%
SBS Holdings, Inc.	206,400	1,630,797	1.65%
Shibuya Corp.	33,800	1,297,514	1.32%
Takeei Corp.	117,200	1,182,262	1.20%
Takuma Co., Ltd.	113,400	1,395,040	1.42%
Tocalo Co., Ltd.	32,800	1,323,544	1.34%
Tonami Holdings Co., Ltd.	35,700	1,778,749	1.80%
Toyo Denki Seizo KK	75,700	1,344,279	1.36%
		42,625,591	43.24%

Information Technology – 15.28%

Aichi Tokei Denki Co., Ltd.	18,200	653,719	0.66%
Digital Garage, Inc.	81,900	1,760,537	1.79%
Elecom Co., Ltd.	67,600	1,354,613	1.37%
Information Services International – Dentsu, Ltd.	18,600	413,885	0.42%
Kakaku.com., Inc.	63,500	871,920	0.88%
Koa Corp.	62,800	1,310,347	1.33%
Kyosan Electric Manufacturing Co., Ltd.	164,000	937,955	0.95%
Mimaki Engineering Co., Ltd.	227,600	1,891,182	1.92%
NEC Networks & System Integration Corp.	71,500	1,781,807	1.81%
Nihon Unisys, Ltd.	111,700	1,850,231	1.88%
Suzuki Co., Ltd.	52,400	475,547	0.48%
UMC Electronics Co., Ltd.	42,100	894,425	0.91%
V-cube, Inc.	68,900	400,129	0.41%
Yokowo Co., Ltd.	35,400	462,175	0.47%
		15,058,472	15.28%

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

COMMON STOCKS

	Number of Shares	Value	% of Net Assets
Materials – 9.63%			
Asia Pile Holdings Co.	324,500	\$ 1,836,625	1.86%
Hakudo Co., Ltd.	77,700	1,548,836	1.57%
LINTEC Corp.	69,000	1,917,638	1.95%
MEC Co., Ltd.	101,300	1,630,185	1.65%
Riken Technos Corp.	205,500	1,265,774	1.29%
Toyo Kohan Co., Ltd.	302,500	1,293,421	1.31%
		9,492,479	9.63%
Total Common Stocks (Cost \$71,995,279)		89,395,110	90.69%

SHORT-TERM INVESTMENTS – 8.99%

Money Market Funds – 8.99%			
Fidelity Government Portfolio, Institutional Class, 0.92% (a)	4,731,000	4,731,000	4.80%
The Government & Agency Portfolio, Institutional Class, 0.95% (a)	4,127,213	4,127,213	4.19%
		8,858,213	8.99%
Total Short-Term Investments (Cost \$8,858,213)		8,858,213	8.99%
Total Investments (Cost \$80,853,492) – 99.68%		98,253,323	99.68%
Other Assets in Excess of Liabilities – 0.32%		318,609	0.32%
TOTAL NET ASSETS – 100.00%		\$98,571,932	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, 2017.

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

Summary of Fair Value Exposure at October 31, 2017

The following is a summary of the inputs used to value the Fund's net assets as of October 31, 2017 (See Note 3 in the accompanying notes to the financial statements):

	Level 1	Level 2	Level 3	Total
Common Stocks				
Consumer Discretionary	\$ —	\$16,492,487	\$ —	\$16,492,487
Financials	—	2,431,397	—	2,431,397
Health Care	—	3,294,684	—	3,294,684
Industrials	—	42,625,591	—	42,625,591
Information Technology	—	15,058,472	—	15,058,472
Materials	—	9,492,479	—	9,492,479
Total Common Stocks	\$ —	\$89,395,110	\$ —	\$89,395,110
Short-Term Investments				
Money Market Funds	\$8,858,213	\$ —	\$ —	\$ 8,858,213
Total Short-Term Investments	\$8,858,213	\$ —	\$ —	\$ 8,858,213
Total Investments	\$8,858,213	\$89,395,110	\$ —	\$98,253,323

Transfers between levels are recognized at the end of the reporting period. During the year ended October 31, 2017, 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 stocks held at October 31, 2016, were classified as Level 1. Such securities still held at October 31, 2017, were transferred to Level 2. 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, 2017

ASSETS:

Investments in securities, at value (cost \$80,853,492)	\$ 98,253,323
Dividends and interest receivable	460,231
Receivable for fund shares sold	3,258,407
Receivable for securities sold	286,107
Prepaid expenses and other assets	20,818
Total Assets	<u>102,278,886</u>

LIABILITIES:

Payable for securities purchased	3,522,429
Payable for fund shares redeemed	46,587
Payable to advisor	60,766
Payable to administrator	13,809
Payable to auditor	21,269
Accrued distribution fees	10,782
Accrued service fees	5,443
Accrued trustees fees	5,571
Accrued expenses and other payables	20,298
Total Liabilities	<u>3,706,954</u>

NET ASSETS

\$ 98,571,932

NET ASSETS CONSIST OF:

Capital stock	\$ 79,122,704
Accumulated net investment loss	(37,056)
Accumulated net realized gain on investments	2,093,327
Unrealized net appreciation on investments	17,392,957
Total Net Assets	<u>\$ 98,571,932</u>

NET ASSETS

Investor Class:

Shares authorized (no par value)	Unlimited
Net assets applicable to outstanding Investor Class shares	\$ 69,862,612
Shares issued and outstanding	4,683,424
Net asset value, offering price and redemption price per share	<u>\$ 14.92</u>

Institutional Class:

Shares authorized (no par value)	Unlimited
Net assets applicable to outstanding Institutional Class shares	\$ 28,709,320
Shares issued and outstanding	1,949,805
Net asset value, offering price and redemption price per share	<u>\$ 14.72</u>

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

Financial Statements

Statement of Operations for the year ended October 31, 2017

INVESTMENT INCOME:

Dividend income ⁽¹⁾	\$ 928,313
Interest income	33,510
Total investment income	<u>961,823</u>

EXPENSES:

Investment advisory fees (See Note 5)	409,461
Sub-transfer agent expenses – Investor Class (See Note 5)	100,044
Sub-transfer agent expenses – Institutional Class (See Note 5)	7,866
Distribution fees – Investor Class (See Note 5)	64,948
Administration, fund accounting, custody and transfer agent fees (See Note 5)	48,772
Service fees – Investor Class (See Note 5)	43,299
Federal and state registration fees	31,204
Compliance expense (See Note 5)	28,705
Audit fees	21,213
Trustees' fees and expenses	16,131
Reports to shareholders	10,595
Interest expense (See Note 7)	106
Other expenses	5,466
Total expenses	<u>787,810</u>

NET INVESTMENT INCOME

\$ 174,013

REALIZED AND UNREALIZED GAINS:

Net realized gain on investments	\$ 2,713,582
Net change in unrealized appreciation on investments	13,111,946
Net gain on investments	<u>15,825,528</u>

NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

\$15,999,541

⁽¹⁾ Net of foreign taxes withheld of \$103,013.

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, 2017	Year Ended October 31, 2016
OPERATIONS:		
Net investment income	\$ 174,013	\$ 80,621
Net realized gain on investments	2,713,582	284,136
Net change in unrealized appreciation on investments	13,111,946	3,031,098
Net increase in net assets resulting from operations	<u>15,999,541</u>	<u>3,395,855</u>
DISTRIBUTIONS TO SHAREHOLDERS FROM:		
Net investment income – Investor Class	(307,249)	—
Net investment income – Institutional Class	(7,754)	—
Net realized gains – Investor Class	(243,524)	(821,234)
Net realized gains – Institutional Class	(29,850)	(94,663)
Total distributions	<u>(588,377)</u>	<u>(915,897)</u>
CAPITAL SHARE TRANSACTIONS:		
Proceeds from shares subscribed – Investor Class	49,025,671	11,724,005
Proceeds from shares subscribed – Institutional Class	27,290,706	1,833,391
Dividends reinvested – Investor Class	545,989	815,922
Dividends reinvested – Institutional Class	37,604	94,664
Cost of shares redeemed – Investor Class	(18,881,862)	(11,136,397)
Cost of shares redeemed – Institutional Class	(4,516,415)	(1,481,809)
Net increase in net assets derived from capital share transactions	<u>53,501,693</u>	<u>1,849,776</u>
TOTAL INCREASE IN NET ASSETS	<u>68,912,857</u>	<u>4,329,734</u>
NET ASSETS:		
Beginning of year	29,659,075	25,329,341
End of year	<u>\$ 98,571,932</u>	<u>\$ 29,659,075</u>
Undistributed net investment income (loss), end of year	<u>\$ (37,056)</u>	<u>\$ 7,575</u>
CHANGES IN SHARES OUTSTANDING:		
Shares sold – Investor Class	3,750,829	1,125,046
Shares sold – Institutional Class	2,024,977	181,517
Shares issued to holders as reinvestment of dividends – Investor Class	49,783	81,186
Shares issued to holders as reinvestment of dividends – Institutional Class	3,468	9,401
Shares redeemed – Investor Class	(1,440,939)	(1,087,726)
Shares redeemed – Institutional Class	(380,799)	(145,946)
Net increase in shares outstanding	<u>4,007,319</u>	<u>163,478</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,				
2017	2016	2015	2014	2013
<u>\$11.29</u>	<u>\$10.29</u>	<u>\$10.51</u>	<u>\$11.70</u>	<u>\$10.54</u>
0.08	0.03	(0.02)	(0.04)	0.06
<u>3.77</u>	<u>1.31</u>	<u>0.71</u>	<u>1.36</u>	<u>3.44</u>
<u>3.85</u>	<u>1.34</u>	<u>0.69</u>	<u>1.32</u>	<u>3.50</u>
(0.12)	—	—	—	—
<u>(0.10)</u>	<u>(0.34)</u>	<u>(0.91)</u>	<u>(2.51)</u>	<u>(2.34)</u>
<u>(0.22)</u>	<u>(0.34)</u>	<u>(0.91)</u>	<u>(2.51)</u>	<u>(2.34)</u>
<u>\$14.92</u>	<u>\$11.29</u>	<u>\$10.29</u>	<u>\$10.51</u>	<u>\$11.70</u>
34.82%	13.44%	7.37%	13.99%	40.59%
\$69.86	\$26.23	\$22.68	\$19.36	\$14.82
1.60%	1.91%	2.12%	2.24%	2.39%
0.26%	0.25%	(0.38)%	(0.39)%	(0.11)%
41%	22%	75%	63%	141%

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

Financial Statements

Financial Highlights

For an Institutional Class share outstanding throughout each period

	Year Ended October 31,		Period Ended
	2017	2016	October 31, 2015 ⁽¹⁾
PER SHARE DATA:			
Net asset value, beginning of period	\$11.33	\$10.30	\$10.89
Income from investment operations:			
Net investment income (loss)	0.05	0.06	(0.01)
Net realized and unrealized			
gains (losses) on investments	3.78	1.31	(0.58)
Total from investment operations	3.83	1.37	(0.59)
Less distributions:			
Dividends from net investment income	(0.10)	—	—
Dividends from net realized gains	(0.34)	(0.34)	—
Total distributions	(0.44)	(0.34)	—
Net asset value, end of period	\$14.72	\$11.33	\$10.30
TOTAL RETURN	35.17%	13.73%	(5.42)% ⁽²⁾
SUPPLEMENTAL DATA AND RATIOS:			
Net assets, end of period (millions)	\$28.71	\$3.42	\$2.65
Ratio of expenses to average net assets	1.19%	1.63%	1.86% ⁽³⁾
Ratio of net investment income (loss)			
to average net assets	0.80%	0.63%	(1.04)% ⁽³⁾
Portfolio turnover rate ⁽⁴⁾	41%	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 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 12b-1 distribution and service, shareholder servicing, and sub-transfer agent expenses. There are no sales charges. 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 to 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 because 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/loss and realized gains/losses for federal income tax purposes may differ from those reported in 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. The Fund may utilize equalization accounting for tax purposes and designate earnings and profits, including net realized gains distributed to shareholders on redemption of shares, as part of the dividends paid deduction for income 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 fiscal year 2017 have been identified and appropriately reclassified in the Statement of Assets and Liabilities. The adjustments are as follows:

Accumulated Net Investment Loss	Accumulated Net Realized Gain on Investments	Capital Stock
\$96,359	\$(530,565)	\$434,206

- 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/losses on investments are allocated to each class of shares based on such class's 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 realized gain/loss realized from an investment transaction 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 (i) 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 (ii) 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/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.

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 of 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 values of other similar securities, and news events with direct bearing on 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' values as determined by the Board or its designee instead of being determined by the market. Using a fair value pricing methodology to price a foreign security may result in a value that is different from the foreign security's most recent closing price and from the prices used by other investment companies to calculate their NAVs and are generally classified in Level 2 of 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 "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 to determine 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, 2017, are included in the Schedule of Investments.

4). INVESTMENT TRANSACTIONS

Purchases and sales of investment securities (excluding government and short-term investments) for the Fund during fiscal year 2017 were \$65,244,764 and \$19,629,490, respectively.

There were no purchases or sales/maturities of long-term U.S. government securities for the Fund during fiscal year 2017.

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. 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, as amended. For fiscal year 2017, the Fund did not engage in purchases or sales of securities pursuant to Rule 17a-7 of the Investment Company Act of 1940, as amended.

5). INVESTMENT MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

The Advisor provides the Fund with investment management services under an Investment Advisory Agreement. The Advisor provides all investment advice, office space, and facilities, as well as 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 an annual rate of 0.80%, effective as of March 1, 2016. Prior to that date, the annual rate was 1.20%. The net investment advisory fees expensed by the Fund during fiscal year 2017 are included in the Statement of Operations.

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-advisory 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 a 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. The shareholder service fees expensed by the Fund during fiscal year 2017 are included in the Statement of Operations.

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 is currently only using up to 0.15% of its average daily net assets attributable to Investor Class shares 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 distribution fees expensed by the Fund during fiscal year 2017 are included in the Statement of Operations.

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. The sub-transfer agent fees expensed by the Fund during fiscal year 2017 are included in the Statement of Operations.

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. U.S. Bank, N.A., an affiliate of USBFS, serves as the Fund’s custodian. The servicing agreements between the Trust, USBFS, and U.S. Bank N.A. contain a fee schedule that is inclusive of administrative, fund accounting, custody, and transfer agent fees. The administrative, fund accounting, custody, and transfer agent fees expensed by the Fund during fiscal year 2017 are included in the Statement of Operations.

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. The compliance fees expensed by the Fund during fiscal year 2017 are included in 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 fiscal year 2017, the Fund had an outstanding average daily balance and a weighted

average interest rate of \$2,986 and 3.97%, respectively. The interest expensed by the Fund during fiscal year 2017 is included in the Statement of Operations. The maximum amount outstanding for the Fund during the period was \$644,000. At October 31, 2017, the Fund did not have any borrowings outstanding under the line of credit.

8). FEDERAL TAX INFORMATION

As of October 31, 2017, the components of accumulated earnings (losses) for income tax purposes were as follows:

	<u>Investments</u>
Cost of investments for tax purposes	\$ 81,687,609
Gross tax unrealized appreciation	\$ 18,126,715
Gross tax unrealized depreciation	(1,561,001)
Net tax unrealized appreciation	<u>\$ 16,565,714</u>
Undistributed ordinary income	\$ 583,714
Undistributed long-term capital gains	<u>2,306,674</u>
Total distributable earnings	<u>\$ 2,890,388</u>
Other accumulated loss	<u>\$ (6,874)</u>
Total accumulated gain	<u>\$ 19,449,228</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 and passive foreign investment companies.

At October 31, 2017, the Fund had no tax basis capital losses to offset future capital gains.

At October 31, 2017, the Fund did not defer, on a tax basis, any late-year ordinary losses. Late-year ordinary losses are net ordinary losses incurred after December 31, 2016, but within the taxable year, that are deemed to arise on the first day of the Fund's next taxable year.

During fiscal years 2017 and 2016, the tax character of distributions paid by the Fund was as follows:

	Year Ended October 31, 2017	Year Ended October 31, 2016
Ordinary income ⁽¹⁾	<u>\$588,377</u>	\$ 3
Long-term capital gain	<u>—</u>	<u>915,894</u>
	<u>\$588,377</u>	<u>\$915,897</u>

⁽¹⁾ Ordinary income includes short-term gain/loss.

9). CHANGE IN AUDITOR DISCLOSURE

On September 11, 2017, the Trust, by action of the Audit Committee of the Board and on behalf of the Fund, 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, the Hennessy Balanced Fund, and the Hennessy Japan Fund (collectively, the "Applicable Funds"), dismissed KPMG LLP ("KPMG") and engaged Tait, Weller & Baker LLP ("Tait Weller") to serve as the independent registered public accounting firm to audit the financial statements of all series of the Trust for fiscal year 2017. Tait Weller previously served as the independent registered public accounting firm for the series of the Trust that are not one of the Applicable Funds.

KPMG's reports on the financial statements for the Applicable Funds for each of fiscal years 2015 and 2016 contained no adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles. During fiscal years 2015 and 2016 and the interim period of November 1, 2016, through September 11, 2017 (the "Interim Period"), there were no (i) disagreements with KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of KPMG, would have caused it to make reference to the subject matter of the disagreements in connection with its reports on the Applicable Funds' financial statements for such years, nor (ii) "reportable events" of the kind described in Item 304(a)(1)(v) of Regulation S-K under the Securities Exchange Act of 1934, as amended.

During fiscal years 2015 and 2016 and the Interim Period, neither the Applicable Funds nor anyone on behalf of the Applicable Funds has consulted Tait Weller on items that concerned (a) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on an Applicable Fund's financial statements, or (b) the subject of a disagreement (as defined in paragraph (a)(1)(iv) of Item 304 of Regulation S-K and related instructions) or reportable events (as described in paragraph (a)(1)(v) of Item 304 of Regulation S-K). The selection of Tait Weller does not reflect any disagreements or dissatisfaction by the Applicable Funds, the Board, or the Audit Committee with the performance of KPMG.

10. EVENTS SUBSEQUENT TO YEAR END

Management has evaluated the Fund's related events and transactions that occurred subsequent to October 31, 2017, 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, 2017, capital gains were declared and paid to shareholders of record on December 6, 2017, as follows:

	<u>Long-term</u>
Investor Class	\$0.27962
Institutional Class	\$.027518

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Hennessy Funds Trust
and the Shareholders of the Hennessy Japan Small Cap Fund
Novato, CA

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of the Hennessy Japan Small Cap Fund (the “Fund”), a series of Hennessy Funds Trust as of October 31, 2017, and the related statement of operations, the statement of changes in net assets, and the financial highlights for the year then ended. The statement of changes in net assets for the year ended October 31, 2016 and the financial highlights for each of the four years in the period ended October 31, 2016 have been audited by other auditors, whose report dated December 22, 2016 expressed unqualified opinions on such financial statements and financial highlights. 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 audit.

We conducted our audit 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. The Fund is not required to have, nor were we engaged to perform, an audit of the Fund’s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Fund’s internal control over financial reporting. Accordingly, we express no such opinion. 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, 2017, by correspondence with the custodian and brokers, or other appropriate auditing procedures where replies from brokers were not received. 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 audit provides 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 Hennessy Japan Small Cap Fund as of October 31, 2017, the results of its operations, the changes in its net assets, and the financial highlights for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania
December 22, 2017

Trustees and Officers of the Fund (Unaudited)

The business and affairs of the Funds 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 to the Board of Trustees (“Advisers”), 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 14 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.	None.

<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>
Doug Franklin (1964) <i>Adviser to the Board</i>	March 2016	Mr. Franklin is a retired insurance industry executive. From 1987 through 2015, he was employed by Allianz-Fireman's Fund Insurance Company in various positions, including Chief Actuary and Chief Risk Officer.	None.
Claire Knoles (1974) <i>Adviser to the Board</i>	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) <i>Trustee, Chairman of the Board, Chief Investment Officer, Portfolio Manager, and President</i>	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.

<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>
Officers		
Teresa M. Nilsen (1966) <i>Executive Vice President and Treasurer</i>	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) <i>Executive Vice President and Secretary</i>	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.
Brian Carlson (1972) <i>Senior Vice President and Head of Distribution</i>	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.
Jennifer Cheskiewicz (1977) <i>Senior Vice President and Chief Compliance Officer</i>	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.

**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⁾
*Senior Vice President
and Portfolio Manager*

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 and the Hennessy Large Cap Financial Fund since inception. Mr. Ellison also served as a Portfolio Manager of the Hennessy Technology Fund from its inception until February 2017. Mr. Ellison served as Director, CIO and President of FBR Fund Advisers, Inc. from December 1999 to October 2012.

Ryan Kelley
(1972)⁽⁴⁾
*Vice President and
Portfolio Manager*

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 October 2014. Mr. Kelley has also served as a Portfolio Manager of the Hennessy Cornerstone Growth Fund, the Hennessy Cornerstone Mid Cap 30 Fund, the Hennessy Cornerstone Large Growth Fund, and the Hennessy Cornerstone Value Fund and as a Co-Portfolio Manager of the Hennessy Technology Fund since February 2017. Mr. Kelley served as Portfolio Manager of FBR Fund Advisers, Inc. from January 2008 to October 2012.

Brian Peery
(1969)
*Senior Vice President
and Portfolio Manager*

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 and as Lead Portfolio Manager of the Hennessy Technology Fund since February 2017.

Daniel P. Hennessy
(1990)
*Assistant Vice President
and Associate Analyst*

December 2016

Mr. Daniel Hennessy has been employed by Hennessy Advisors, Inc. since 2015. He has served as an Associate Analyst of the Hennessy Technology Fund since February 2017. He previously served as a Mutual Fund Specialist at U.S. Bancorp Fund Services, LLC from November 2014 to July 2015. Prior to that, he attended the University of San Diego, where he earned a degree in Political Science.

⁽¹⁾ Messrs. DeSousa, Doyle, Hennessy, and Richardson previously served on the Board of Directors of Hennessy Mutual Funds, Inc. ("HMF"), 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 HFM, HFI, and HSFT were reorganized into corresponding series of Hennessy Funds Trust that mirrored them. Subsequent to the reorganization, HFM, 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 this officer is 101 Federal Street, Suite 1900, Boston, MA 02110.

⁽⁴⁾ The address of this officer is 1340 Environ Way, Chapel Hill, NC 27517.

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Expense Example (Unaudited)

October 31, 2017

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, 2017, through October 31, 2017.

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” or “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 May 1, 2017	Ending Account Value October 31, 2017	Expenses Paid During Period ⁽¹⁾ May 1, 2017 – October 31, 2017
Investor Class			
Actual	\$1,000.00	\$1,190.70	\$8.56
Hypothetical (5% return before expenses)	\$1,000.00	\$1,017.39	\$7.88
Institutional Class			
Actual	\$1,000.00	\$1,192.90	\$6.41
Hypothetical (5% return before expenses)	\$1,000.00	\$1,019.36	\$5.90

⁽¹⁾ Expenses are equal to the Fund's annualized expense ratio of 1.55% for Investor Class shares or 1.16% for Institutional Class shares, as applicable, multiplied by the average account value over the period, multiplied by 184/365 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 (the "SEC") 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 a 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 Forms N-Q are made available on the SEC's website at www.sec.gov. The Fund's Forms 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 Forms N-Q will also be available upon request by calling 1-800-966-4354.

Federal Tax Distribution Information (Unaudited)

For fiscal year 2017, 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 100.00%.

For corporate shareholders, the percent of ordinary income distributions that qualified for the corporate dividends received deduction for fiscal year 2017 was 0.00%.

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 46.46%.

For the year ended October 31, 2017, 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.

	<u>Gross Foreign Income</u>	<u>Foreign Tax Paid</u>
Japan	\$1,032,516	\$103,013

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 request an individual copy of a prospectus or financial report at any time. If you would like to receive separate mailings, please call U.S. Bancorp Fund Services, LLC 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 will 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

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Novato, California 94945

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DIVIDEND PAYING AGENT &
SHAREHOLDER SERVICING AGENT**

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CUSTODIAN

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TRUSTEES

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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.