Q&A

HENNESSY
FUNDS

HENNESSY CORE BOND FUND (HCBFX, HCBIX)

[Comments and Opinions]

Gary Cloud, CFA
Portfolio Manager

» Over 29 years of investment experience

Portfolio Manager Gary Cloud, CFA, discusses how he is positioning the Fund in an attempt to capitalize on the continued low interest rate environment.

1. What are your thoughts on how the Federal Reserve might implement interest rate hikes over the next year or so?

After a number of years with near zero interest rates, the upcoming rate cycle may be unlike any other we have seen in the post World War II era. We believe the rate increases that the Fed will implement over the next few years will be minute, keeping interest rates lower for longer than investors might expect. While Fed Chair Janet Yellen has argued that the U.S. will not be negatively affected by the sluggish global economy, we believe the domestic economy may see further softening. The global economy is facing an environment of collapsing commodity prices resulting in the strengthening of the U.S. dollar compared to other currencies. These factors work against the Fed's dual mandate of maximum employment and stable prices. In addition, wages may continue to disappoint, with expensive labor being replaced by automation or outsourced to countries offering lower wages. With its dovish stance, the Fed will likely acquiesce to the market.

2. Would you please discuss how China's recent weakness may factor into the Fed's decision to raise rates?

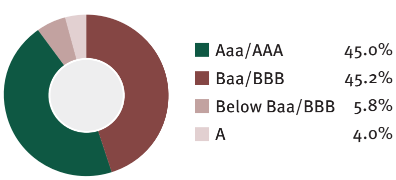
Over the past few years, China has had two events without experiencing a credit cleansing, including a property bubble bust in 2011-13 that resulted in few bankruptcies and a severe equity market correction in 2015. Exports from other major trading partners around China, including Korea, Singapore and Taiwan, have materially declined. In addition, the devaluation of China's currency has put pressure on these countries to devalue their currencies.

China has ample resources, but will likely use modest resources to stimulate their economy. Because China is a large consumer of commodities and the largest incremental driver of growth in the world, a setback has the potential to affect the global economy. Due to these global challenges, we believe the rate hike cycle could be more subdued.

3. How have you positioned the fixed income portfolio to take into consideration an eventual rate increase?

We believe long-term rates will fall when the Fed eventually raises rates. As such, we have been structuring the portfolio to assume a flatter yield curve, holding a slightly larger allocation to both 7- to 10-year bonds and 90- to 180-day bonds. The Fund continues to own bonds that mature in 2 to 8 years, but the allocation to this area of the market is lower compared to the benchmark Barclays Capital Intermediate U.S. Government/Credit Index.

QUALITY DISTRIBUTION
as of 12/31/16



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4. With the majority of the portfolio invested in investment grade bonds, would you please discuss their relative attractiveness compared to other areas of the fixed income market?

Currently, we see tremendous value in select investment grade credits. While the equity market has recently been under pressure, there has been a 12-month significant repricing in credit markets, especially in the Energy, Industrials, and Materials sectors. With these areas experiencing severe dislocations, credit spreads have widened materially. As a result, we have been finding higher quality credits at attractive prices.

FUND PERFORMANCE as of 12/31/16

			Average Annualized Total Return			
	3 Month	1 Year	3 Year	5 Year	10 Year	Since Inception (6/3/97)
Hennessy Core Bond Fund						
Investor Class - HCBFX[1]	-2.18%	-0.83%	-0.22%	1.27%	3.33%	4.56%
Institutional Class - HCBIX	-2.01%	-0.47%	0.12%	1.58%	3.62%	4.77%
Barclays Interm. Govt/Credit Index	-2.07%	2.08%	2.09%	1.85%	3.84%	4.82%
Gross Expense Ratio: 3.20% *(Investor Class)* | 2.83% *(Institutional Class)*						

* Based on total returns.

[1] Represents the performance of the Investor Class shares after September 24, 2001 (inception of the share class) and Institutional Class for periods prior to that date.

Performance for periods prior to 10/26/12 is that of the FBR Core Bond Fund. The predecessor Core Bond Fund had the same investment objective and same investment strategy as the Fund. *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. 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.*

YIELD as of 12/31/16

30-Day SEC Yield	
Investor	0.00%
Institutional	0.00%

Opinions expressed are those of Financial Counselors, Inc. and are subject to change, are not guaranteed and should not be considered investment advice.

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

Mutual fund investing involves risk; Principal loss is possible. Investments in debt securities typically decrease in value when interest rates rise. The risk is greater for longer term debt securities. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. Mortgage- and asset-backed securities are subject to prepayment risk, which is the risk that the borrower will prepay some or all of the principal owed to the issuer. Investments in foreign securities may involve political, economic and currency risks, greater volatility and differences in accounting methods. The Fund may experience higher fees due to investments in pooled investment vehicles (including ETFs).

Barclays Interm. GovtCredit is an unmanaged index commonly used to measure the performance of U.S. bonds. One cannot invest directly in an index.

SEC Yield is a standardized yield computed by dividing the net investment income per share earned during the 30-day period prior to quarter-end. Yield Curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates. Credit Quality Bond Ratings typically range from AAA/Aaa (highest) to D (lowest). The credit ratings shown are based on each portfolio security's rating as generally provided by Moody's. If a Moody's rating is not available, then the rating is provided by Standard and Poor's ("S&P"), a Nationally Recognized Statistical Rating Organization ("NRSRO"). The credit quality of the investments in the Fund's portfolio does not apply to the stability or safety of the Fund.

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