

Q&A



HENNESSY FOCUS FUND (HFCSX, HFCIX)

[Comments and Opinions]

PORTFOLIO MANAGEMENT TEAM

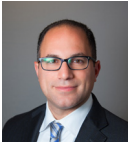
Broad Run Investment Management, LLC
Sub-Advisor



David Rainey, CFA
18 years of experience with the Fund
30 years of investment experience



Brian Macauley, CFA
13 years of experience with the Fund
16 years of investment experience



Ira Rothberg, CFA
12 years of experience with the Fund
14 years of investment experience

OVERALL MORNINGSTAR RATING

as of 3/31/17



(Investor)

Among 580 Mid-Cap Growth Funds

The Overall Morningstar Rating is based on risk adjusted returns, derived from a weighted average of the 3, 5, and 10 year (if applicable) Morningstar metrics.

FUND FACTS (as of 3/31/17)

Symbol	
Investor	HFCSX
Institutional	HFCIX
CUSIP	
Investor	425 88P 700
Institutional	425 88P 809
Total Fund Assets	\$2.6 B
Number of Holdings	21
Turnover	5%
Active Share ¹	98%

FOR MORE INFORMATION

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In the following discussion, the Portfolio Managers discuss portfolio diversification, their “watch list,” identifying companies with excellent management and U.S. equity valuations.

1. Would you please discuss how you think about position sizing and portfolio diversification?

We manage a concentrated, conviction-weighted portfolio, typically holding 20 to 30 positions with 60% to 80% of assets in the top ten positions. While unconventional, we believe this approach provides magnified exposure to our best ideas, while still maintaining adequate diversification. When sizing an individual position, we take into consideration: 1) our confidence in the business’s long-term financial prospects (a function of its fit with our investment criteria, the nature of the business, and our depth of knowledge), and 2) its valuation, i.e., expected long-term return profile.

At the portfolio level, we contemplate how individual businesses interact as part of the whole. We attempt to limit overall exposure to any one industry or business factor risk. We attempt to build a portfolio in which we have high confidence in the component businesses, while also having high long-term expected returns. We seek enough diversification so that when one or several of these businesses encounter(s) a setback, the balance of holdings can carry the overall portfolio forward.

2. How does your “watch list” help identify new investments for the Fund?

In our search for new investments, we maintain a “watch list” of exceptional businesses we would like to own if valuation and/or other circumstances allowed. This list reflects our collective knowledge after more than a decade of scouring the markets and conducting research to identify businesses that meet our five investment criteria: high-quality business, large growth opportunity, excellent management, low “tail risk,” and discount valuation.

Some businesses have been on the watch list for just a few months, while others have been there for many years. We are continually adding to and refining this list, while advancing our understanding of these businesses and the industries in which they operate. Typically, some development will occur, spurring intensified consideration for a stock’s inclusion in the portfolio. Perhaps it overacts to negative short-term news, there is a favorable industry development, or our own synthesis of information leads to a breakthrough insight. If we had not previously studied these businesses, we would not be well positioned to reach an investment conclusion in a timely manner.

3. With regard to your “excellent management” criteria, what specifically do you look for in portfolio companies?

We look to invest in companies with management teams skilled at both operations and capital allocation, motivated with proper economic incentives, and possessing a long-term mindset. As a starting point, we review the historical financial record, including trends in margins, returns on equity, and returns on capital, and how these metrics compare to other companies within their industry. We analyze past important capital allocation decisions and stay attuned to management’s ongoing discussions of acquisitions, share repurchases, capital expenditures, dividends, and use of the balance sheet. When we meet with management, we query them about their capital allocation framework and how they think about creating long-term value. Finally, we evaluate their economic incentives, looking for a strong alignment of interest with long-term equity holders.

[Comments and Opinions]

4. What is your assessment of U.S. equity valuations?

We view U.S. equity markets as fairly valued on current earnings – neither particularly expensive, nor cheap in historical context. When viewed through the lens of long-term fundamental metrics (stock market capitalization-to-GDP and price-to-cyclically adjusted earnings [CAPE or Schiller PE]) equity valuations can appear elevated. However, the low inflation and interest rate environment and a reasonable market valuation on current earnings counterbalances this view. We believe current valuations should afford investors reasonably attractive long-term returns. Since the market bottom in 2009, equity returns have had the double benefit of robust earnings growth and valuation expansion. Going forward, we expect more modest market returns driven by earnings growth since valuation expansion has probably run its course.

FUND PERFORMANCE as of 3/31/17

	Average Annualized Total Return					
	3 Month	1 Year	3 Year	5 Year	10 Year	Since Inception (1/3/97)
Investor Class - HFCSX	4.51%	9.81%	8.98%	13.05%	8.79%	13.16%
Institutional Class - HFCIX ²	4.61%	10.22%	9.36%	13.42%	9.11%	13.33%
Russell 3000 Index	5.74%	18.07%	9.76%	13.18%	7.54%	8.02%
Russell Midcap Growth Index	6.89%	14.07%	7.88%	11.95%	8.13%	8.47%
Morningstar % Rank in Category (Investor) ³	—	94	11	12	17	—
# of funds in Mid-Cap Growth Category	—	635	580	500	368	—
Gross Expense Ratio: 1.50% (Investor Class) 1.13% (Institutional Class)						

²Represents the performance of the Institutional Class shares after May 30, 2008 (inception of the share class) and Investor Class for periods prior to that date. ³Based on total returns. Performance for periods prior to 10/26/12 is that of the FBR Focus Fund. The predecessor Focus 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 www.hennessyfund.com.

Important Disclosures

Opinions expressed are those of the Focus Fund Managers 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, which can be obtained by calling 800-890-7118 or visiting hennessyfund.com. Please read the prospectus carefully before investing.

Mutual fund investing involves risk; Principal loss is possible. A non-diversified fund, one that may concentrate its assets in fewer holdings than a diversified fund, is more exposed to individual stock volatility than a diversified fund. The Fund invests in small and medium capitalized companies, which involves additional risks such as limited liquidity and greater volatility. Investments in foreign securities may involve greater volatility and political, economic and currency risk and differences in accounting methods. Earnings growth is not a measure of the Fund's future performance.

¹Active share was calculated using Morningstar's benchmarks (iShares Russell Mid-Cap Growth ETF for the Focus Fund), which differ from the Funds' primary benchmarks. References to other investment products should not be interpreted as an offer of these securities.

Each Morningstar category average represents a universe of funds with similar objectives. Russell Midcap[®] Growth Index is an unmanaged index commonly used to compare mid-cap growth companies. Russell 3000[®] Index is an unmanaged total return index commonly used to measure performance of the largest 3000 U.S. companies. It is not possible to invest directly in an index. Return on equity is the amount of net income returned as a percentage of a shareholder's equity. Return on capital is a ratio which is estimated by dividing the after-tax operating income by the book value of invested capital. The cyclically adjusted price-to-earnings ratio is the price divided by the average of ten years of earnings (moving average), adjusted for inflation. Earnings per share (EPS) is a company's profit divided by its number of common outstanding shares. **EPS growth is not a measure of future performance.**

Morningstar Proprietary Ratings reflect risk-adjusted performance as of 3/31/17. The Morningstar Rating[™] for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history, without adjustment for sales loads. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating[™] for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating[™] metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. **Past performance does not guarantee future results.** HFCSX received 4 stars for the three year period, 5 stars for the five year period and 4 stars for the ten year period ended 3/31/17 among 580, 500 and 368 Mid-Cap Growth Funds, respectively. Ratings for other share classes may differ. The Morningstar percentile ranking is based on the fund's total-return percentile rank relative to all funds that have the same category for the same time period. The highest (or most favorable) percentile rank is 1%, and the lowest (or least favorable) percentile rank is 100%. Morningstar total return includes both income and capital gains or losses and is not adjusted for sales charges. ©Morningstar, Inc. All Rights Reserved.

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