Q&A

HENNESSY FUNDS

HENNESSY GAS UTILITY FUND (GASFX/HGASX)

[Comments and Opinions]

Winsor "Skip" Aylesworth
Portfolio Manager

- Over three decades of investment industry experience
- Portfolio Manager of the Fund since 2001

Ryan Kelley, CFA
Portfolio Manager

- Over 20 years of investment industry experience

LIPPER AWARD

LIPPER FUND AWARDS UNITED STATES

2017 Best Utility Fund (GASFX)
For the risk-adjusted performance among 14 Utility Funds for the 10-year period ended 11/30/16.

FUND FACTS

Symbol	
Investor	GASFX
Institutional	HGASX
CUSIP	
Investor	425 88P 833
Institutional	425 88P 759

Portfolio Managers Skip Aylesworth and Ryan Kelley believe the case for natural gas remains strong, due to an abundance of supply under U.S. political control, relatively low and competitive pricing, and increasing demand. In the following commentary, they discuss the demand drivers of natural gas and factors that could drive the Fund's results.

1. How might the new administration affect the natural gas industry?

While we view natural gas as a non-partisan issue, we do expect a far more favorable regulatory and legislative environment for Energy under the Trump administration. Although the future of the Environmental Protection Agency's Clean Power Plan to reduce carbon dioxide emissions remains unknown, natural gas use in electricity generation continues to be a key growth market due to its low cost and environmental advantages compared to coal.

Utilities are largely regulated at the state level, so we may not see significant regulatory changes there. However 40 states and Washington, DC have developed an accelerated infrastructure replacement program, and 38 states have a program or policy to facilitate expansion. These programs provide incentives for Utility companies to spend on capital improvement, which could be immediately accretive to earnings. These programs should also expand the base of natural gas customers.

Importantly, the U.S. is the world's top producer of natural gas, putting the country in a position to be energy self-sufficient and a net exporter of gas.

2. What is the current state of natural gas exportation?

The first liquefied natural gas, or LNG, export left the U.S. in February, 2016, and in the past year LNG shipments reached South America, Europe, Asia and the Middle East. The economics continue to be attractive for U.S.-sourced LNG, with lower prices in the U.S. compared to Europe and Asia. We anticipate significant export growth as additional capacity comes on line and new terminals open over the next few years.

Pipeline exports to Mexico have been growing as well, with volumes increasing 40% in 2016 compared to 2015. We expect this trend to continue as three large pipeline projects are underway to help increase overall capacity and compensate for Mexico's declining natural gas production.

Overall, LNG and pipeline exports have increased approximately 30% in 2016. Although exports make up only 7% of total gas production in the lower 48 states, exports are anticipated to continue growing and remain an important support for both production and prices.

3. How might rising interest rates affect the Fund's holdings?

Utilities tend to be a total return product, comprised in part of dividend yield, which is generally interest rate sensitive. However, for the Fund, capital appreciation from business

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growth and the outlook for natural gas distribution companies have driven performance. Historically there is no statistically significant correlation between interest rates and the Fund's performance. The underlying fundamentals of the holdings should continue to drive performance.

4. What factors drove the Fund's rebound in 2016 following only its seventh negative calendar year return since 1989?

We believe three trends helped boost the Fund's return and appear to remain in place to potentially drive 2017 performance:

1. **Robust merger and acquisition (M&A) activity.** M&A activity has been driven by the desire for growth among large utility companies, as they look to gain or expand their foothold in the natural gas infrastructure area. In 2016, there were nine announced or completed acquisitions out of the 61 companies in the portfolio, and we saw pre-transaction price premiums that added to the Fund's overall return.
2. **A rebound in interstate pipeline and LNG-related businesses as oil prices stabilized.** The Fund focuses on natural gas distribution businesses, including interstate pipeline companies. These pipeline companies are vulnerable to swings in the price of oil and were hurt when overall production was curtailed due to falling oil prices. As prices rebounded in 2016, prices for these midstream companies rose as well.
3. **Underlying earnings of the companies.** Unusually warm weather last summer drove higher levels of electricity generation for air conditioning, resulting in positive earnings growth for natural gas companies, favorably impacting stock prices.

Important Disclosures

Opinions expressed are those of Skip Aylesworth and Ryan Kelley 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, please call 800-966-4354 or visit hennessyfunds.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. Investments in foreign securities may involve political, economic and currency risks, greater volatility and differences in accounting methods. Investments are focused in the natural gas distribution and transmission industry; sector funds may be subject to a higher degree of market risk. The Fund may experience higher fees due to investments in pooled investment vehicles (including ETFs).

Correlation is a statistical measure of the degree to which the movements of two variables (stock/option/convertible prices or returns) are related. Dividend yield is calculated by annualizing the last quarterly dividend paid and dividing it by the current share prices. The dividend yield is that of the securities held in the portfolio; it is not reflective of the yield distributed to shareholders.

Earnings growth is not representative of the Fund's future performance.

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