Q&A

HENNESSY FINANCIAL FUNDS

SMALL CAP FINANCIAL (HSFNX/HISFX)
LARGE CAP FINANCIAL (HLFNX/HILFX)

HENNESSY FUNDS

[Comments and Opinions]

Dave Ellison, SVP
Portfolio Manager

- Most tenured mutual fund portfolio manager in the Financial Services sector
- Managed both Financial Funds since inception

Ryan Kelley, CFA
Portfolio Manager

- Over 20 years of investment industry experience

SMALL CAP FINANCIAL FUND FACTS

Symbol	
Investor	HSFNX
Institutional	HISFX
CUSIP	
Investor	425 88P 874
Institutional	425 88P 866

LARGE CAP FINANCIAL FUND FACTS

Symbol	
Investor	HLFNX
Institutional	HILFX
CUSIP	
Investor	425 88P 882
Institutional	425 88P 775

FOR MORE INFORMATION

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We believe Financial companies may be entering an earnings growth phase not seen in at least a decade. Portfolio Managers Dave Ellison and Ryan Kelley discuss the factors driving this potential growth and how the Funds are positioned to benefit.

1. Would you please discuss the factors that drove the strong rally in Financial stocks in the last two months of 2016?

The surprise election of a Republican administration in November caused financial market participants to abruptly raise their expectations for faster economic growth and higher inflation, triggering a powerful rally in equities, higher rates across the yield curve and a sell-off in bonds.

Financial stocks led the rally in equities as investors concluded they would likely benefit significantly from higher interest rates. Financial stocks, particularly bank stocks, have experienced compressed margins over the last eight years in the historically low interest rate environment. Therefore, it was no surprise that they reacted immediately and favorably to the jump in rates, as investors priced in expectations that higher rates would lead to an expansion in lending margins and thus, higher profitability. The Federal Reserve's quarter-point increase in short term rates in December 2016 only reinforced consensus opinion that 2017 could be a year of rising rates.

Additionally, Financial stocks' share prices were pushed higher by hopes that faster economic growth, tax reform and increased investment spending on infrastructure could lead to robust loan demand and a continuation of excellent credit conditions.

Lastly, investors were optimistic that the deregulation of the banking industry would provide the ability for banks to grow their loan portfolios, lower the cost of compliance and possibly generate more merger and acquisition (M&A) activity.

2. What should investors focus on in the Financial sector over the next few years?

We believe it's important to focus on the improving fundamentals of Financial companies. Over the last eight years, banks have operated in a heavily regulated, low rate environment. Low rates have depressed bank lending margins, and new regulations have curtailed bank lending, raised capital adequacy ratios and increased the cost of compliance.

Many banks reacted to this environment by focusing on what they could control. In order to improve profitability, many banks reduced costs, improved efficiency, raised credit standards and engaged in M&A. As a result, we believe the industry has become fundamentally healthier. We are encouraged by most fourth quarter earnings results, which showed increasing earnings, improving asset quality and higher profitability in general versus the comparable quarter last year.

Thus, we believe banks are in a strong position. Should interest rates continue to rise, we are hopeful that banks will be able to generate higher lending margins. Together with robust economic growth powering loan demand, this favorable environment could generate a strong growth phase for earnings.

3. How have you positioned the Hennessy Small Cap and Large Cap Financial Funds to potentially benefit from an improving landscape?

For the Hennessy Small Cap and Large Cap Financial Funds, we remain focused on holding a limited number of high-quality banks with well-structured balance sheets, strong growth potential and experienced management. We prefer to own those that have the ability to be profitable regardless of the rate environment. Therefore, in the event that rates rise as expected, the economy strengthens and/or regulations are eased, we believe the Funds' holdings are poised to outperform relative to the broader Financial sector.

Important Disclosures

Opinions expressed are those of Dave Ellison and Ryan Kelley are subject to change, are not guaranteed and should not be considered investment advice. References to other mutual funds should not be considered an offer of those securities.

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 are focused in the financial services industry; sector funds may be subject to a higher degree of market risk. The Funds invest in small and medium sized companies, which may have limited liquidity and greater volatility compared to larger companies.

Basis point is a unit equal to 1/100th of 1% and is used to denote the change in a financial instrument. Book value is the value at which an asset is carried on a balance sheet.

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

The Hennessy Funds are distributed by Quasar Distributors, LLC. 10/17