

Q&A



HENNESSY TECHNOLOGY FUND (HTECX, HTCIX)

[Comments and Opinions]



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The Hennessy Technology Fund offers investors an opportunity to benefit from advancements in technology. The Portfolio Management Team provided insight into the Fund's strategy, investment process, and portfolio construction. The following includes highlights from that discussion.

1. Would you please describe the Fund's strategy for investing in the Technology sector?

The Fund seeks high-quality companies that have the potential to participate in the growth and innovation of technology. We utilize several metrics to analyze Technology companies with market capitalizations over \$175 million, selecting the top 60 stocks that demonstrate the following:

- Sector-leading cash flows and profits, with the ability to sustain profitability
- Attractive balance sheet risk profile
- A history of delivering excess returns over the cost of capital
- Attractive relative valuation
- Ability to generate cash

Within the Technology sector, many companies have historically experienced a high level of price volatility. Based on our extensive research, we have found that a focus on companies that can generate a high level of free cash flow can help minimize volatility.

As a result of our stringent criteria, the Fund is comprised of 60 stocks, ranging in market capitalization from \$200 million to \$400 billion. As of March 31, 2017, the Fund had a median market cap of approximately \$5.0 billion and an average market cap of nearly \$33 billion.

2. Would you please describe the type of Technology stocks in the portfolio?

The Fund is focused on Technology stocks, but does not generally invest in biotech companies. Holdings are selected from the Information Technology sector as well as Consumer sub-industries, including internet and direct marketing retail businesses and internet software and services companies.

The portfolio includes well-known Technology companies including Amazon, Apple, and IBM as well as stocks some investors may not consider to be tech-related, such as MasterCard or Western Union. In addition, because of the Fund's ability to invest in small-, mid- and large-caps, the Fund can invest in up-and-coming Technology companies with potentially long growth runways.

Top Ten Holdings (as of 3/31/17)	
QIWI PLC	1.9%
Jabil Circuit, Inc.	1.8%
Mimecast, Ltd.	1.8%
Wayfair, Inc.	1.7%
Celestica, Inc.	1.7%
Sykes Enterprises, Inc.	1.7%
Cardtronics, PLC.	1.7%
EchoStar Corp.	1.7%
Amazon.com, Inc.	1.7%
Red Hat, Inc.	1.7%
Total as % of Net Assets: 17.4%	

FUND FACTS

Symbol	
Investor	HTECX
Institutional	HTCIX
CUSIP	
Investor	425 88P 858
Institutional	425 88P 841
Inception	
Investor	2/1/02
Institutional	3/12/10
Number of Holdings	60

FOR MORE INFORMATION

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(Q&A continued on next page)

[Comments and Opinions]

3. Why is a company's leverage ratio an important operating metric in the Technology sector?

We prefer Technology companies with a low book leverage as it can be an indication of operating performance strength. By computing total assets to common equity, this ratio suggests that changes in leverage can signal changes in the condition of its underlying operating performance. For example, an increase in a company's book leverage can infer the deterioration of the underlying operating performance.

4. Would you please discuss why the Fund holds just 60 stocks?

We hold 60 companies as we aim to provide a balance of returns, diversification and volatility. In our extensive analysis of past performance, we believe that maintaining a fairly concentrated portfolio gives investors the best opportunity to outperform the overall Technology sector while potentially limiting downside risk.

FUND PERFORMANCE as of 3/31/17

	Average Annualized Total Return					
	3 Month	1 Year	3 Year	5 Year	10 Year	Since Inception (2/1/02)
Investor Class - HTECX	7.20%	14.97%	4.78%	6.53%	4.53%	5.85%
Institutional Class - HTCIX ¹	7.32%	15.41%	5.16%	6.86%	4.73%	5.99%
NASDAQ Composite Index	10.13%	22.88%	13.43%	15.33%	10.58%	8.87%
S&P 500 Index	6.07%	17.17%	10.37%	13.30%	7.51%	7.19%
Expense Ratio (Gross/Net*): 3.46%/1.24% (Investor Class) 3.12%/0.99% (Institutional Class)						

¹Represents the performance of the Institutional Class shares after March 12, 2010 (inception of the share class) and Investor Class for periods prior to that date.

*The Fund's investment manager has contractually agreed to limit expenses until 2/28/18.

Performance for periods prior to 10/26/12 is that of the FBR Technology Fund. The predecessor Technology 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.*

Important Disclosures

Opinions expressed are those of the 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. 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 technology industry; sector funds may be subject to a higher degree of market risk. Investments in foreign securities may involve political, economic and currency risks, greater volatility and differences in accounting methods. The Fund invests in small and medium sized companies, which may have more limited liquidity and greater volatility compared to larger companies.

NASDAQ Composite Index is a broad-based capitalization-weighted index of all the NASDAQ National Market and Small Cap stocks. S&P 500 Index is an unmanaged index commonly used to measure the performance of U.S. stocks. One cannot invest directly in an index. Cash flow measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income. Free cash flow represents the cash that a company is able to generate after laying out the money required to maintain or expand its asset base. Diversification does not assure a profit or protect against loss in a declining market.

Fund holdings and sector allocations are subject to change and should not be considered recommendations to buy or sell any security.

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

The Hennessy Funds are distributed by Quasar Distributors, LLC.