HENNESSY FUNDS

SEMI-ANNUAL REPORT

APRIL 30, 2017

HENNESSY JAPAN FUND

Investor Class **HJPNX**
Institutional Class **HJPIX**

Investing, Uncompromised

hennessyfunds.com | 1-800-966-4354

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Contents

Dear Hennessy Funds Shareholder:

For the six months ended April 30, 2017, global markets rose strongly, taking their cue from U.S. equities which rallied in response to expectations of more business-friendly policies from the newly- elected administration. Japanese equities participated in the global rally, encouraged by hopes of faster global economic growth and heartened by a significant decline in the value of the yen as the wave of global optimism reduced demand for the "safe-haven" currency.

The Japanese market experienced a sudden drop on the day of the U.S. presidential election, but resumed its upward trend, established during the summer months, immediately thereafter, buoyed by the weak yen and hopes of economic stimulus measures from the new U.S. administration. Despite support from the U.S. market, during the latter half of the period, Japanese investors turned a little bearish, presumably troubled by a somewhat stronger yen, which was due in part to increased uncertainty about President Trump's policies and their implementation. Rising geopolitical tensions in Syria and North Korea exacerbated this trend. Toward the end of the six-month period, foreign investors returned as net buyers, and concerns about France leaving the European Union abated after the first round of the country's presidential election. In response to these and other events, the yen weakened, and Japanese stocks recovered swiftly.

We continue to call for the acceleration of structural reforms in hopes of raising Japan's economic growth rate. These reforms should help boost consumer confidence, which may allow Japanese consumers to become more forward-looking and prompt higher retail spending, which in turn, should increase inflation. Japan's potential economic growth rate, estimated to be around 0 – 0.5%, has come down over the past decades along with the country's ageing demographics and declining birth rate. Given this constraint, it is anticipated that any excess demand will exert significant upward pressure on wages and prices.

In March, Japan's largest home delivery company, Yamato Transport Co., Ltd., decided to raise its delivery service prices for the first time in 27 years. As evidenced by the subsequent increase in its stock price, the effects of rising wages and labor shortages are starting to trickle down to affect prices. We believe that stock price increases, mainly in the service industry, could remain strong on the back of this trend.

Critics say that the original vision for Abenomics has failed to deliver. However, as we have discussed in previous commentaries, we believe it is still too early to dismiss hope for Japan's long-term turnaround story. Once again, we would like to reiterate that structural reforms can take a long time to deliver results, and there are many initiatives still in the works.

We do not believe that all structural reform initiatives will succeed, or that any one policy can solve all the problems facing Japan by itself. Rather, these initiatives should be viewed collectively, and together they should get the country back on its feet and moving forward. We find it encouraging that both the government and the Bank of Japan have been pursuing more business friendly policies in the pursuit of sustainable long-term growth. And last, but not least, Japan continues to enjoy political stability and a sound corporate profit environment.

Therefore, we remain optimistic about the long-term prospects for Japan and its stock market. Thank you for your continued confidence and investment in our Funds. If you have any questions or would like to speak with a customer service representative, please call (800) 966-4354.

Sincerely,

Tadahiro Fujimura
Portfolio Manager,
Hennessy Japan Small Cap Fund;
Chief Investment Officer
SPARX Asset Management Co., Ltd.

Masakazu Takeda
Portfolio Manager,
Hennessy Japan Fund;
Fund Manager
SPARX Asset Management Co., Ltd.

SPARX Asset Management Co., Ltd., located in Tokyo, Japan, is the sub-advisor to the Hennessy Japan Fund and the Hennessy Japan Small Cap Fund.

Past performance does not guarantee future results.

Mutual fund investing involves risk. Principal loss is possible.

Opinions expressed are those of Tadahiro Fujimura and Masakazu Takeda and are subject to change, are not guaranteed and should not be considered investment advice.

As of April 30, 2017, Yamato Transport Co., Ltd. was not a holding of either the Hennessy Japan Fund or the Hennessy Japan Small Cap Fund.

Performance Overview (Unaudited)

AVERAGE ANNUAL TOTAL RETURN FOR PERIODS ENDED APRIL 30, 2017

	Six Months[1]	One Year	Five Years	Ten Years
Hennessy Japan Fund – Investor Class (HJPNX)	2.16%	16.43%	13.59%	5.86%
Hennessy Japan Fund – Institutional Class (HJPIX)	2.39%	16.89%	13.90%	6.07%
Russell/Nomura Total Market™ Index	4.85%	13.72%	8.94%	1.78%
Tokyo Price Index (TOPIX)	4.70%	13.43%	8.78%	1.70%

Expense ratios: 1.49% (Investor Class); 1.11% (Institutional Class)

(1) Periods less than one year are not annualized.

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. The performance table does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. 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.

The Russell/Nomura Total Market™ Index contains the top 98% of all stocks listed on Japan's stock exchange and registered on Japan's OTC market in terms of market capitalization. The Tokyo Price Index (TOPIX) is a market capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange. One cannot invest directly in an index.

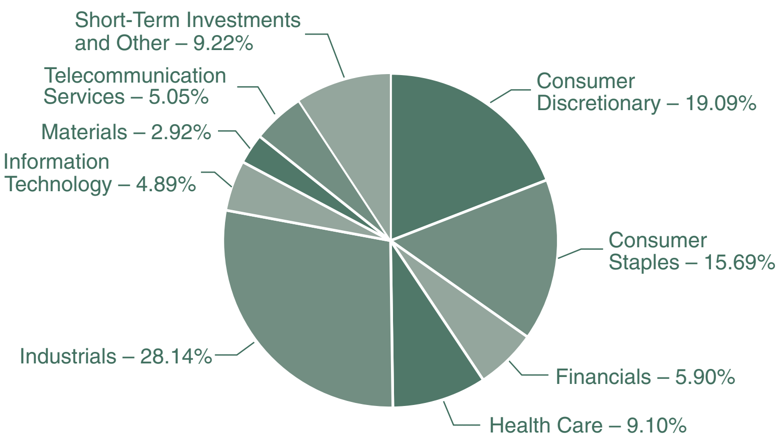
The expense ratios presented are from the most recent prospectus. The expense ratios for the current reporting period are available in the Financial Highlights section of this report.

Financial Statements

Schedule of Investments *as of April 30, 2017 (Unaudited)*

HENNESSY JAPAN FUND

(% of Net Assets)



TOP TEN HOLDINGS (EXCLUDING CASH/CASH EQUIVALENTS)	% NET ASSETS
Asics Corp.	5.15%
Softbank Group Co.	5.05%
Kubota Corp.	4.91%
Misumi Group, Inc.	4.91%
Terumo Corp.	4.91%
Keyence Corp.	4.89%
Unicharm Corp.	4.83%
Shimano, Inc.	4.83%
Recruit Holdings Co., Ltd.	4.82%
Kao Corp.	4.82%

Note: For presentation purposes, the Fund has grouped some of the industry categories. For purposes of categorizing securities for compliance with Section 8(b)(1) of the Investment Company Act of 1940, as amended, the Fund uses more specific industry classifications.

COMMON STOCKS – 90.78%

	Number of Shares	Value	% of Net Assets
Consumer Discretionary – 19.09%			
Asics Corp.	551,100	$ 9,744,051	5.15%
Isuzu Motors, Ltd.	438,900	5,953,055	3.14%
Ryohin Keikaku Co., Ltd.	28,700	6,472,465	3.42%
Shimano, Inc.	59,800	9,135,627	4.83%
Toyota Motor Corp.	89,100	4,823,669	2.55%
		36,128,867	19.09%
Consumer Staples – 15.69%			
Japan Tobacco, Inc.	273,700	9,099,190	4.81%
Kao Corp.	165,300	9,116,523	4.82%
Pigeon Corp.	75,400	2,333,527	1.23%
Unicharm Corp.	376,000	9,135,645	4.83%
		29,684,885	15.69%
Financials – 5.90%			
Mizuho Financial Group	1,573,200	2,873,322	1.52%
Sumitomo Mitsui Financial Group, Inc.	224,300	8,297,943	4.38%
		11,171,265	5.90%
Health Care – 9.10%			
Rohto Pharmaceutical Co., Ltd.	425,300	7,931,812	4.19%
Terumo Corp.	254,700	9,287,782	4.91%
		17,219,594	9.10%
Industrials – 28.14%			
Daikin Industries	88,800	8,623,099	4.56%
Kubota Corp.	590,900	9,292,197	4.91%
Misumi Group, Inc.	490,600	9,290,483	4.91%
Mitsubishi Corp.	391,400	8,438,932	4.46%
Nidec Corp.	92,500	8,480,377	4.48%
Recruit Holdings Co., Ltd.	180,800	9,131,231	4.82%
		53,256,319	28.14%
Information Technology – 4.89%			
Keyence Corp.	23,000	9,243,328	4.89%
Materials – 2.92%			
Fuji Seal International, Inc.	232,200	5,528,224	2.92%

The accompanying notes are an integral part of these financial statements.

COMMON STOCKS

	Number of Shares	Value	% of Net Assets
Telecommunication Services – 5.05%			
Softbank Group Co.	126,200	$ 9,557,124	5.05%
Total Common Stocks (Cost $130,515,594)		171,789,606	90.78%

SHORT-TERM INVESTMENTS – 7.15%

Money Market Funds – 7.15%			
Fidelity Government Portfolio, Institutional Class, 0.60% (a)	9,292,000	9,292,000	4.91%
The Government & Agency Portfolio, Institutional Class, 0.67% (a)	4,238,368	4,238,368	2.24%
		13,530,368	7.15%
Total Short-Term Investments (Cost $13,530,368)		13,530,368	7.15%
Total Investments (Cost $144,045,962) – 97.93%		185,319,974	97.93%
Other Assets in Excess of Liabilities – 2.07%		3,924,245	2.07%
TOTAL NET ASSETS – 100.00%		$189,244,219	100.00%

Percentages are stated as a percent of net assets.

(a) The rate listed is the fund's 7-day yield as of April 30, 2017.

Note: For presentation purposes, the Fund has grouped some of the industry categories. For purposes of categorizing securities for compliance with Section 8(b)(1) of the Investment Company Act of 1940, as amended, the Fund uses more specific industry classifications.

The accompanying notes are an integral part of these financial statements.

Summary of Fair Value Exposure at April 30, 2017

The following is a summary of the inputs used to value the Fund's net assets as of April 30, 2017 (See Note 3 in the accompanying notes to the financial statements):

Common Stocks	Level 1	Level 2	Level 3	Total
Consumer Discretionary	$ 36,128,867	$ —	$ —	$ 36,128,867
Consumer Staples	29,684,885	—	—	29,684,885
Financials	11,171,265	—	—	11,171,265
Health Care	17,219,594	—	—	17,219,594
Industrials	53,256,319	—	—	53,256,319
Information Technology	9,243,328	—	—	9,243,328
Materials	5,528,224	—	—	5,528,224
Telecommunication Services	9,557,124	—	—	9,557,124
Total Common Stocks	$171,789,606	$ —	$ —	$171,789,606
Short-Term Investments				
Money Market Funds	$ 13,530,368	$ —	$ —	$ 13,530,368
Total Short-Term Investments	$ 13,530,368	$ —	$ —	$ 13,530,368
Total Investments	$185,319,974	$ —	$ —	$185,319,974

Transfers between levels are recognized at the end of the reporting period. During the six-month period ended April 30, 2017, the Fund recognized no transfers between levels.

Transfers between Level 1 and Level 2 relate to the use of fair valuation pricing service. On days when the fair valuation pricing service is used, non-U.S. dollar denominated securities move from a Level 1 to a Level 2 classification.

The accompanying notes are an integral part of these financial statements.

Financial Statements

Statement of Assets and Liabilities *as of April 30, 2017 (Unaudited)*

ASSETS:	
Investments in securities, at value (cost $144,045,962)	$185,319,974
Dividends and interest receivable	848,692
Receivable for fund shares sold	3,963,659
Prepaid expenses and other assets	24,937
Total Assets	190,157,262
LIABILITIES:	
Payable for securities purchased	574,031
Payable for fund shares redeemed	152,986
Payable to advisor	120,311
Payable to administrator	28,424
Payable to auditor	13,957
Accrued distribution fees	9,950
Accrued service fees	5,893
Accrued trustees fees	3,087
Accrued expenses and other payables	4,404
Total Liabilities	913,043
NET ASSETS	$189,244,219
NET ASSETS CONSIST OF:	
Capital stock	$170,008,129
Accumulated net investment loss	(25,673)
Accumulated net realized loss on investments	(22,008,407)
Unrealized net appreciation on investments	41,270,170
Total Net Assets	$189,244,219
NET ASSETS	
Investor Class:	
Shares authorized (no par value)	Unlimited
Net assets applicable to outstanding Investor Class shares	$ 71,211,342
Shares issued and outstanding	2,506,356
Net asset value, offering price and redemption price per share	$28.41
Institutional Class:	
Shares authorized (no par value)	Unlimited
Net assets applicable to outstanding Institutional Class shares	$118,032,877
Shares issued and outstanding	4,052,283
Net asset value, offering price and redemption price per share	$29.13

The accompanying notes are an integral part of these financial statements.

Financial Statements

Statement of Operations *for the six months ended April 30, 2017 (Unaudited)*

INVESTMENT INCOME:	
Dividend income[1]	$1,028,334
Interest income	26,908
Total investment income	1,055,242
EXPENSES:	
Investment advisory fees (See Note 5)	613,667
Sub-transfer agent expenses – Investor Class (See Note 5)	73,833
Sub-transfer agent expenses – Institutional Class (See Note 5)	30,972
Administration, fund accounting, custody and transfer agent fees (See Note 5)	73,552
Distribution fees – Investor Class (See Note 5)	50,341
Service fees – Investor Class (See Note 5)	33,560
Federal and state registration fees	17,332
Compliance expense (See Note 5)	12,927
Audit fees	11,813
Reports to shareholders	8,178
Trustees' fees and expenses	7,454
Legal fees	1,066
Other expenses	5,178
Total expenses	939,873
NET INVESTMENT INCOME	$ 115,369
REALIZED AND UNREALIZED GAINS (LOSSES):	
Net realized loss on investments	$ (186,082)
Net change in unrealized appreciation on investments	4,341,854
Net gain on investments	4,155,772
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$4,271,141

[1] Net of foreign taxes withheld of $114,281.

The accompanying notes are an integral part of these financial statements.

Financial Statements

Statements of Changes in Net Assets

	Six Months Ended April 30, 2017 (Unaudited)	Year Ended October 31, 2016
OPERATIONS:		
Net investment income (loss)	$ 115,369	$ (249,157)
Net realized gain (loss) on investments	(186,082)	1,638,917
Net change in unrealized appreciation on investments	4,341,854	14,734,429
Net increase in net assets resulting from operations	4,271,141	16,124,189
CAPITAL SHARE TRANSACTIONS:		
Proceeds from shares subscribed – Investor Class	29,346,062	28,493,995
Proceeds from shares subscribed – Institutional Class	64,875,541	46,172,033
Cost of shares redeemed – Investor Class	(21,486,689)	(36,063,591)
Cost of shares redeemed – Institutional Class	(17,383,398)	(40,793,598)
Net increase (decrease) in net assets derived from capital share transactions	55,351,516	(2,191,161)
TOTAL INCREASE IN NET ASSETS	59,622,657	13,933,028
NET ASSETS:		
Beginning of period	129,621,562	115,688,534
End of period	$189,244,219	$129,621,562
Undistributed net investment loss, end of period	$ (25,673)	$ (141,042)
CHANGES IN SHARES OUTSTANDING:		
Shares sold – Investor Class	1,069,085	1,150,149
Shares sold – Institutional Class	2,288,662	1,820,006
Shares redeemed – Investor Class	(786,566)	(1,483,205)
Shares redeemed – Institutional Class	(618,324)	(1,643,088)
Net increase (decrease) in shares outstanding	1,952,857	(156,138)

The accompanying notes are an integral part of these financial statements.

Financial Statements

Financial Highlights

For an Investor Class share outstanding throughout each period

	Six Months Ended April 30, 2017 (Unaudited)
PER SHARE DATA:	
Net asset value, beginning of period	$27.81
Income from investment operations:	
Net investment loss	(0.00)[1]
Net realized and unrealized gains on investments	0.60
Total from investment operations	0.60
Less distributions:	
Dividends from net investment income	—
Dividends from return of capital	—
Total distributions	—
Net asset value, end of period	$28.41
TOTAL RETURN	2.16%[2]
SUPPLEMENTAL DATA AND RATIOS:	
Net assets, end of period (millions)	$71.21
Ratio of expenses to average net assets	1.45%[3]
Ratio of net investment loss to average net assets	(0.11)%[3]
Portfolio turnover rate[4]	0%[2]

(1) Amount is less than $(0.01).
(2) Not annualized.
(3) Annualized.
(4) Portfolio turnover is calculated on the basis of the Fund as a whole.

The accompanying notes are an integral part of these financial statements.

Year Ended October 31,				
2016	2015	2014	2013	2012
$24.07	$21.77	$19.68	$15.40	$13.99
(0.11)	(0.10)	(0.06)	(0.04)	(0.02)
3.85	2.40	2.15	4.33	1.43
3.74	2.30	2.09	4.29	1.41
—	—	—	—	—
—	—	—	(0.01)	—
—	—	—	(0.01)	—
$27.81	$24.07	$21.77	$19.68	$15.40
15.54%	10.56%	10.62%	27.87%	10.08%
$61.85	$61.56	$27.26	$31.32	$10.38
1.50%	1.53%	1.70%	1.90%	2.03%
(0.38)%	(0.44)%	(0.18)%	(0.35)%	(0.09)%
5%	21%	22%	6%	2%

The accompanying notes are an integral part of these financial statements.

Financial Statements

Financial Highlights

For an Institutional Class share outstanding throughout each period

	Six Months Ended April 30, 2017 (Unaudited)
PER SHARE DATA:	
Net asset value, beginning of period	$28.45
Income from investment operations:	
Net investment income (loss)	0.01
Net realized and unrealized gains on investments	0.67
Total from investment operations	0.68
Less distributions:	
Dividends from net investment income	—
Dividends from return of capital	—
Total distributions	—
Net asset value, end of period	$29.13
TOTAL RETURN	2.39%[1]
SUPPLEMENTAL DATA AND RATIOS:	
Net assets, end of period (millions)	$118.03
Ratio of expenses to average net assets	1.05%[2]
Ratio of net investment income (loss) to average net assets	0.36%[2]
Portfolio turnover rate[3]	0%[1]

(1) Not annualized.
(2) Annualized.
(3) Portfolio turnover is calculated on the basis of the Fund as a whole.

The accompanying notes are an integral part of these financial statements.

Year Ended October 31,				
2016	2015	2014	2013	2012
$24.55	$22.15	$19.98	$15.60	$14.14
(0.01)	(0.02)	0.07	(0.03)	0.02
3.91	2.42	2.10	4.42	1.44
3.90	2.40	2.17	4.39	1.46
—	—	—	—	—
—	—	—	(0.01)	—
—	—	—	(0.01)	—
$28.45	$24.55	$22.15	$19.98	$15.60
15.89%	10.84%	10.86%	28.19%	10.33%
$67.78	$54.13	$25.75	$9.07	$8.94
1.17%	1.27%	1.50%	1.66%	1.85%
(0.03)%	(0.08)%	0.26%	(0.20)%	0.13%
5%	21%	22%	6%	2%

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements *April 30, 2017 (Unaudited)*

1). ORGANIZATION

The Hennessy Japan Fund (the "Fund") is a series of Hennessy Funds Trust (the "Trust"), which was organized as a Delaware statutory trust on September 17, 1992. The Fund is an open-end management investment company registered under the Investment Company Act of 1940, as amended. The investment objective of the Fund is long-term capital appreciation. The Fund is a diversified fund, but may employ a relatively focused investment strategy and may hold securities of fewer issuers than other diversified funds.

The Fund offers Investor Class and Institutional Class shares. Each class of shares differs principally in its respective 12b-1 distribution and service, shareholder servicing, and sub-transfer agent expenses (there are no sales charges). Each class has identical rights to earnings, assets, and voting privileges, except for class-specific expenses and exclusive rights to vote on matters affecting only an individual class.

As an investment company, the Fund follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board ("FASB") Accounting Standard Codification Topic 946 "Financial Services—Investment Companies."

2). SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of the financial statements. These policies conform with U.S. generally accepted accounting principles ("GAAP").

a). Investment Valuation – All investments in securities are recorded at their estimated fair value, as described in Note 3.

b). Federal Income Taxes – No provision for federal income taxes or excise taxes has been made since the Fund has elected to be taxed as a "regulated investment company" and intends to distribute substantially all of its taxable income to its shareholders and otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Net investment income/loss and realized gains/losses for federal income tax purposes may differ from that reported in the financial statements because of temporary book and tax basis differences. Temporary differences are primarily the result of the treatment of wash sales for tax reporting purposes. The Fund recognizes interest and penalties related to income tax benefits, if any, in the Statement of Operations as an income tax expense. Distributions from net realized gains for book purposes may include short-term capital gains, which are included as ordinary income to shareholders for tax purposes.

c). Accounting for Uncertainty in Income Taxes – The Fund has accounting policies regarding recognition and measurement of tax positions taken or expected to be taken on a tax return. The tax returns of the Fund for the prior three fiscal years are open for examination. The Fund has reviewed all open tax years in major jurisdictions and concluded that there is no impact on the Fund's net assets and no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on a tax return. The Fund's major tax jurisdictions are U.S. federal and Delaware.

d). Income and Expenses – Dividend income is recognized on the ex-dividend date or as soon as information is available to the Fund. Interest income, which includes the amortization of premium and accretion of discount, is recognized on an accrual basis. The Fund is charged for those expenses that are directly attributable to the portfolio, such as advisory, administration, and certain shareholder service fees. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains/losses on investments are allocated to each class of shares based on its respective net assets.

e). Distributions to Shareholders – Dividends from net investment income for the Fund, if any, are declared and paid annually, usually in December. Distributions of net realized capital gains, if any, are declared and paid annually, usually in December.

f). Security Transactions – Investment and shareholder transactions are recorded on the trade date. The Fund determines the gain or loss realized from the investment transactions by comparing the original cost of the security lot sold with the net sale proceeds. Discounts and premiums on securities purchased are accreted/amortized over the life of the respective security.

g). Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported change in net assets during the reporting period. Actual results could differ from those estimates.

h). Share Valuation – The net asset value ("NAV") per share of the Fund is calculated by dividing the sum of the value of the securities held by the Fund, plus cash or other assets, minus all liabilities (including estimated accrued expenses) by the total number of shares outstanding for the Fund, rounded to the nearest cent. The Fund's shares will not be priced on days the New York Stock Exchange is closed for trading. The offering and redemption price per share for the Fund is equal to the Fund's NAV per share.

i). Foreign Currency – Values of investments denominated in foreign currencies are converted into U.S. dollars using the spot market rate of exchange at the time of valuation. Purchases and sales of investments and income are translated into U.S. dollars using the spot market rate of exchange prevailing on the respective dates of such transactions. The Fund does not isolate the portion of the results of operations resulting from fluctuations in foreign exchange rates on investments from fluctuations resulting from changes in the market prices of securities held. Such fluctuations are included with the net realized and unrealized gain/loss on investments. Foreign investments present additional risks due to currency fluctuations, economic and political factors, lower liquidity, government regulations, differences in accounting standards, and other factors.

j). Forward Contracts – The Fund may enter into forward currency contracts to reduce its exposure to changes in foreign currency exchange rates on its holdings and to lock in the U.S. dollar cost of firm purchase and sale commitments for securities denominated in foreign currencies. A forward currency contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the U.S. dollar cost of the original contract and the value of the foreign currency in U.S. dollars upon closing of such contract is included in net realized gain/loss from foreign currency transactions. During the six months ended April 30, 2017, the Fund did not enter into any forward contracts.

k). Derivatives – The Fund may invest in, or enter into, derivatives, such as options, futures contracts, options on futures contracts, and swaps, for a variety of reasons, including to hedge certain risks, to provide a substitute for purchasing or selling particular securities, or to increase potential income gain. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives may allow the Fund to increase or decrease the level of risk to which the Fund is exposed more quickly and efficiently than transactions in other types of instruments. The main purpose of utilizing derivative instruments is for hedging purposes.

The Fund follows the financial accounting reporting rules as required by the Derivatives and Hedging Topic of the FASB Accounting Standards Codification. Under such rules, the Fund is required to include enhanced disclosure that enables investors to understand how and why an entity uses derivatives, how derivatives are accounted for, and how derivatives instruments affect an entity's results of operations and financial position. During the six months ended April 30, 2017, the Fund did not hold any derivative instruments.

l). Repurchase and Reverse Repurchase Agreements – The Fund may enter into repurchase agreements and reverse repurchase agreements with member banks or security dealers of the Federal Reserve Board whom the investment advisor deems creditworthy. Transactions involving repurchase agreements and reverse repurchase agreements are treated as collateralized financing transactions, and are recorded at their contracted resell or repurchase amounts, which approximates fair value. Interest on repurchase agreements and reverse repurchase agreements is included in interest receivable and interest payable, respectively.

In connection with repurchase agreements, securities pledged as collateral are held by the custodian bank until the respective agreements mature. Provisions of the repurchase agreements ensure that the market value of the collateral, including accrued interest thereon, is sufficient to cover the repurchase amount in the event of default of the counterparty. If the counterparty defaults and the fair value of the collateral declines or if the counterparty enters an insolvency proceeding, realization of the collateral by the Fund may be delayed or limited.

During the six months ended April 30, 2017, the Fund did not enter into any repurchase agreements or reverse repurchase agreements.

m). New Accounting Pronouncements – In October 2016, the U.S. Securities and Exchange Commission adopted new rules and amended existing rules (together, "final rules") intended to modernize the reporting and disclosure of information by registered investment companies. In part, the final rules amend Regulation S-X and require standardized, enhanced disclosure about derivatives in investment company financial statements, as well as other amendments. The compliance date for the amendments to Regulation S-X is August 1, 2017. Management has reviewed the requirements and believes the adoption of the final rules will not have a material impact on the Fund's financial statements and related disclosures.

3). SECURITIES VALUATION

The Fund follows authoritative fair valuation accounting standards that establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion of changes in valuation techniques and related inputs during the period. These inputs are summarized in the three broad levels listed below:

Level 1 – Unadjusted, quoted prices in active markets for identical instruments that the Fund has the ability to access at the date of measurement.

Level 2 – Other significant observable inputs (including, but not limited to, quoted prices in active markets for similar instruments, quoted prices in markets that are not active for identical or similar instruments, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets (such as interest rates, prepayment speeds, credit risk curves, default rates, and similar data)).

Level 3 – Significant unobservable inputs (including the Fund's own assumptions about what market participants would use to price the asset or liability based on the best available information) when observable inputs are unavailable.

Following is a description of the valuation techniques applied to the Fund's major categories of assets and liabilities measured at fair value on a recurring basis.

Equity Securities – Equity securities, including common stocks, preferred stocks, foreign-issued common stocks, exchange-traded funds, closed-end mutual funds, partnerships, rights, and real estate investment trusts, that are traded on a securities exchange for which a last-quoted sales price is readily available will generally be valued at the last sales price as reported by the primary exchange on which the securities are listed. Securities listed on The NASDAQ Stock Market ("NASDAQ") will generally be valued at the NASDAQ Official Closing Price, which may differ from the last sales price reported. Securities traded on a securities exchange for which a last-quoted sales price is not readily available will generally be valued at the mean between the bid and ask prices. To the extent these securities are actively traded and valuation adjustments are not applied, they are classified in Level 1 of the fair value hierarchy. Securities traded on foreign exchanges generally are not valued at the same time the Fund calculates its NAV because most foreign markets close well before such time. The earlier close of most foreign markets gives rise to the possibility that significant events, including broad market moves, may have occurred in the interim. In certain circumstances, it may be determined that a security needs to be fair valued because it appears that the value of the security might have been materially affected by events occurring after the close of the market in which the security is principally traded, but before the time the Fund calculates its NAV, such as by a development that affects an entire market or region (e.g., weather-related events) or a potentially global development (e.g., a terrorist attack that may be expected to have an effect on investor expectations worldwide).

Registered Investment Companies – Investments in registered investment companies (e.g., mutual funds) are generally priced at the ending NAV provided by the applicable registered investment company's service agent and will be classified in Level 1 of the fair value hierarchy.

Debt Securities – Debt securities, including corporate bonds, asset-backed securities, mortgage-backed securities, municipal bonds, U.S. Treasuries, and U.S. government agency issues, are generally valued at market on the basis of valuations furnished by an independent pricing service that utilizes both dealer-supplied valuations and formula-based techniques. The pricing service may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, and fundamental data relating to the issuer. In addition, the model may incorporate observable market data, such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued primarily using dealer quotations. These securities are generally classified in Level 2 of the fair value hierarchy.

Short-Term Securities – Short-term equity investments, including money market funds, are valued in the manner specified above. Short-term debt investments with an original term to maturity of 60 days or less are valued at amortized cost, which approximates fair market value. If the original term to maturity of a short-term debt investment exceeded 60 days, then the values as of the 61st day prior to maturity are amortized. Amortized cost is not used if its use would be inappropriate due to credit or other impairments of the issuer, in which case the security's fair value would be determined, as described below. Short-term securities are generally classified in Level 1 or Level 2 of the fair market hierarchy depending on the inputs used and market activity levels for specific securities.

The Board of Trustees of the Fund (the "Board") has adopted fair value pricing procedures that are followed when a price for a security is not readily available or if a significant event has occurred that indicates the closing price of a security no longer represents the true value of that security. Fair value pricing determinations are made in good faith in accordance with these procedures. There are numerous criteria that will be given consideration in determining a fair value of a security, such as the trading volume of a security and markets, the value of other similar securities, and news events with direct bearing to a security or markets. Fair value pricing results in an estimated price for a security that reflects the amount the Fund might reasonably expect to receive in a current sale. Depending on the relative significance of the valuation inputs, these securities may be classified in either Level 2 or Level 3 of the fair value hierarchy.

The fair valuation of foreign securities may be determined with the assistance of a pricing service using correlations between the movement of prices of such securities and indices of domestic securities and other appropriate indicators, such as closing market prices of relevant American Depositary Receipts or futures contracts. The effect of using fair value pricing is that the Fund's NAV will reflect the affected portfolio securities' values as determined by the Board or its designee instead of being determined by the market. Using a fair value pricing methodology to price foreign securities may result in a value that is different from a foreign security's most recent closing price and from the prices used by other investment companies to calculate their NAVs and are generally considered Level 2 prices in the fair valuation hierarchy. Because the Fund invests in foreign securities, the value of the Fund's portfolio securities will change on days when you will not be able to purchase or redeem your shares.

The Board has delegated day-to-day valuation matters to a Valuation Committee comprised of one or more representatives from Hennessy Advisors, Inc. (the "Advisor"), the Fund's investment advisor. The function of the Valuation Committee is to value securities where current and reliable market quotations are not readily available. All actions taken by the Valuation Committee are reviewed by the Board.

The Fund has performed an analysis of all existing investments to determine the significance and character of all inputs to their fair value determination. Various inputs are used in determining the value of the Fund's investments. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Details related to the fair valuation hierarchy of the Fund's securities as of April 30, 2017, are included in the Schedule of Investments.

4). INVESTMENT TRANSACTIONS

Purchases and sales of investment securities (excluding government and short-term investments) for the Fund during the six months ended April 30, 2017, were $48,049,104 and $0, respectively.

There were no purchases or sales/maturities of long-term U.S. government securities for the Fund during the six months ended April 30, 2017.

The Fund is permitted to purchase or sell securities from or to another fund in the Hennessy Funds family of funds (the "Hennessy Funds") under specified conditions outlined in procedures adopted by the Board of Trustees. The procedures have been designed to ensure that any purchase or sale of securities by the Fund from or to another Hennessy Fund complies with Rule 17a-7 of the Investment Company Act of 1940, as amended. During the six months ended April 30, 2017, the Fund did not engage in purchases and sales of securities pursuant to Rule 17a-7 of the Investment Company Act of 1940, as amended.

5). INVESTMENT MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

The Advisor provides the Fund with investment management services under an Investment Advisory Agreement. The Advisor furnishes all investment advice, office space, facilities, and provides most of the personnel needed by the Fund. As compensation for its services, the Advisor is entitled to a monthly fee from the Fund. The fee is based upon the average daily net assets of the Fund at the annual rate of 0.80%, effective as of March 1, 2016. Prior to that date, the annual rate was 1.00%. The net investment advisory fees expensed by the Fund during the six months ended April 30, 2017, are included in the Statement of Operations.

The Advisor has delegated the day-to-day management of the Fund to a sub-advisor, SPARX Asset Management Co., Ltd. The Advisor pays the sub-advisory fees from its own assets and these fees are not an additional expense of the Fund. For the most recent fiscal year, the Advisor (not the Fund) paid a sub-advisory fee, based upon the daily net assets of the Fund, at the rate of 0.35%.

The Board has approved a Shareholder Servicing Agreement for Investor Class shares of the Fund, which was instituted to compensate the Advisor for the non-investment management services it provides to the Fund. The Shareholder Servicing Agreement provides for a monthly fee paid to the Advisor at an annual rate of 0.10% of the average daily net assets of the Fund attributable to Investor Class shares. The shareholder service fees expensed by the Fund during the six months ended April 30, 2017, are included in the Statement of Operations.

The Fund has adopted a plan pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended, that authorizes payments in connection with the distribution of the Fund's shares at an annual rate of up to 0.25% of the Fund's average daily net assets attributable to Investor Class shares. Even though the authorized rate is up to 0.25%, the Fund is currently only using 0.15% of its average daily net assets attributable to Investor Class shares for such purposes. Amounts paid under the plan may be spent on any activities or expenses primarily intended to result in the sale of shares, including, but not limited to, advertising, shareholder account servicing, the printing and mailing of prospectuses to other than current shareholders, the printing and mailing of sales literature, and compensation for sales and marketing activities or to financial institutions and others, such as dealers and distributors. The distribution fees expensed by the Fund during the six months ended April 30, 2017, are included in the Statement of Operations.

The Fund has entered into agreements with various brokers, dealers, and financial intermediaries in connection with the sale of shares of the Fund. The agreements provide for periodic payments by the Fund to the brokers, dealers, and financial intermediaries for providing certain shareholder maintenance services (sub-transfer agent expenses). These shareholder services include the pre-processing and quality control of new accounts, shareholder correspondence, answering customer inquiries regarding account status, and facilitating shareholder telephone transactions. The sub-transfer agent fees expensed by the Fund during the six months ended April 30, 2017, are included in the Statement of Operations.

U.S. Bancorp Fund Services, LLC ("USBFS") provides the Fund with administrative, fund accounting, and transfer agent services, and necessary office equipment. As administrator, USBFS is responsible for activities such as (i) preparing various federal and state regulatory filings, reports, and returns for the Fund, (ii) preparing reports and materials to be supplied to the Board, (iii) monitoring the activities of the Fund's custodian, transfer agent, and accountants, and (iv) coordinating the preparation and payment of the Fund's expenses and reviewing the Fund's expense accruals. U.S. Bank, N.A., an affiliate of USBFS, serves as the Fund's custodian. The administrative, fund accounting, custody, and transfer agent fees expensed by the Fund during the six months ended April 30, 2017, are included in the Statement of Operations.

Quasar Distributors, LLC acts as the Fund's principal underwriter in a continuous public offering of the Fund's shares. Quasar Distributors, LLC is an affiliate of USBFS and U.S. Bank, N.A.

The officers of the Fund are affiliated with the Advisor. Such officers, with the exception of the Chief Compliance Officer and the Senior Compliance Officer, receive no compensation from the Fund for serving in their respective roles. The Fund, along with the other Hennessy Funds, makes reimbursement payments, on an equal basis, to the Advisor for a portion of the salary and benefits associated with the office of the Chief Compliance Officer and for all of the salary and benefits associated with the office of the Senior Compliance Officer. The compliance fees expensed by the Fund during the six months ended April 30, 2017, are included in the Statement of Operations.

6). GUARANTEES AND INDEMNIFICATIONS

Under the Hennessy Funds' organizational documents, their officers and trustees are indemnified by the Hennessy Funds against certain liabilities arising out of the performance of their duties to the Hennessy Funds. Additionally, in the normal course of business, the Hennessy Funds enter into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. Currently, the Fund expects the risk of loss to be remote.

7). LINE OF CREDIT

The Fund has an uncommitted line of credit with the other Hennessy Funds in the amount of the lesser of (i) $100,000,000 or (ii) 33.33% of each Hennessy Fund's net assets, or 30% for the Hennessy Gas Utility Fund and 10% for the Hennessy Balanced Fund, intended to provide short-term financing, if necessary, subject to certain restrictions, in connection with shareholder redemptions. The credit facility is with the Hennessy Funds' custodian bank, U.S. Bank, N.A. Borrowings under this arrangement bear interest at the bank's prime rate and are secured by all of the Fund's assets (as to its own borrowings only). During the six months ended April 30, 2017, the Fund did not have any borrowings outstanding under the line of credit.

8). FEDERAL TAX INFORMATION

As of October 31, 2016, the Fund's most recent fiscal year end, the components of accumulated earnings (losses) for income tax purposes were as follows:

Cost of investments for tax purposes	$ 92,280,031
Gross tax unrealized appreciation	$ 37,922,030
Gross tax unrealized depreciation	(1,116,094)
Net tax unrealized appreciation	$ 36,805,936
Undistributed ordinary income	$ —
Undistributed long-term capital gains	—
Total distributable earnings	$ —
Other accumulated loss	$ (21,840,987)
Total accumulated gain	$ 14,964,949

The difference between book-basis unrealized appreciation/depreciation (as shown in the Statement of Assets and Liabilities) and tax-basis unrealized appreciation/depreciation (as shown above) is attributable primarily to wash sales.

At October 31, 2016, the Fund's most recent fiscal year end, the Fund had capital loss carryforwards that expire as follows:

$15,450,664	October 31, 2017
$ 6,121,138	October 31, 2018
$ 109,231	Indefinite ST

Capital losses sustained in the fiscal year ended October 31, 2012, and in future taxable years will not expire and may be carried over by the Fund without limitation; however, they will retain the character of the original loss. Furthermore, any loss incurred during those taxable years will be required to be utilized prior to the losses incurred in taxable years prior to 2012. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Under pre-enactment law, capital losses could be carried forward for eight years, and carried forward as short-term capital losses, irrespective of the character of the original loss.

At October 31, 2016, the Fund's most recent fiscal year end, the Fund deferred, on a tax basis, a post-December late year ordinary loss deferral of $141,042.

During the fiscal years ended October 31, 2017 (year to date) and 2016, the Fund did not pay any distributions.

9). EVENTS SUBSEQUENT TO PERIOD END

Management has evaluated the Fund's related events and transactions that occurred subsequent to April 30, 2017, through the date of issuance of the Fund's financial statements. Management has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

Expense Example (Unaudited)

April 30, 2017

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, reinvested dividends, or other distributions; redemption fees; and exchange fees; and (2) ongoing costs, including management fees; service fees; and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period from November 1, 2016, through April 30, 2017.

Actual Expenses

The first line of the table below under the “Investor Class” and “Institutional Class” headings provides information about actual account values and actual expenses. Although the Fund charges no sales loads or transaction fees, you will be assessed fees for outgoing wire transfers, returned checks and stop payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Fund’s transfer agent. If you request that a redemption be made by wire transfer, currently a $15 fee is charged by the Fund’s transfer agent. IRA accounts will be charged a $15 annual maintenance fee. The example below includes, but is not limited to, management fees, shareholder servicing fees, fund accounting, custody, and transfer agent fees. However, the example below does not include portfolio trading commissions and related expenses, and other extraordinary expenses as determined under generally accepted accounting principles. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line of the table under the “Investor Class” or “Institutional Class” headings in the column entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table below under the “Investor Class” and “Institutional Class” headings provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratios and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), or exchange fees. Therefore, the second line of the table under the “Investor Class” and “Institutional Class” headings is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value November 1, 2016	Ending Account Value April 30, 2017	Expenses Paid During Period[(1)] November 1, 2016 – April 30, 2017
Investor Class			
Actual	$1,000.00	$1,021.60	$7.27
Hypothetical (5% return before expenses)	$1,000.00	$1,017.60	$7.25
Institutional Class			
Actual	$1,000.00	$1,023.90	$5.27
Hypothetical (5% return before expenses)	$1,000.00	$1,019.59	$5.26

(1) Expenses are equal to the Fund's annualized expense ratio of 1.45% for Investor Class shares or 1.05% for Institutional Class shares, as applicable, multiplied by the average account value over the period, multiplied by 181/365 days (to reflect one-half year period).

Proxy Voting Policy and Proxy Voting Records

A description of the policies and procedures the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge: (1) by calling 1-800-966-4354; (2) on the Hennessy Funds' website at hennessyfunds.com/proxy-voting/policy.fs; or (3) on the U.S. Securities and Exchange Commission's (the "SEC") website at www.sec.gov. The Fund's proxy voting record is available without charge on both the Hennessy Funds' website at hennessyfunds.com/proxy-voting/vote.fs and the SEC's website at www.sec.gov no later than August 31 for the prior 12 months ending June 30.

Quarterly Schedule of Investments

The Fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q will be available on the SEC's website at www.sec.gov. The Fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. Information included in the Fund's Forms N-Q will also be available upon request by calling 1-800-966-4354.

Householding of Reports and Prospectuses

To help keep the Fund's costs as low as possible, we generally deliver a single copy of most financial reports and prospectuses to shareholders who share an address, even if the accounts are registered under different names. This process, known as "householding," does not apply to account statements. You may request an individual copy of a prospectus or financial report at any time. If you would like to receive separate mailings, please call the Administrator at 1-800-261-6950 or 1-414-765-4124 and individual delivery will begin within 30 days of your request. If your account is held through a financial institution or other intermediary, please contact them directly to request individual delivery.

Board Approval of Investment Advisory Agreements

At its meeting on March 8, 2017, the Board of Trustees of the Fund (the "Board," and the members thereof, the "Trustees") unanimously approved the continuation of the investment advisory agreement of the Fund with Hennessy Advisors, Inc. (the "Advisor") and the sub-advisory agreement of the Fund between the Advisor and SPARX Asset Management Co., Ltd. (the "Sub-Advisor"). As part of the process of approving the continuation of the advisory and sub-advisory agreements, the Trustees reviewed their fiduciary duties with respect to approving the advisory and sub-advisory agreements and the relevant factors for them to consider. In addition, the Trustees who are not deemed "interested persons" (as that term is defined by the Investment Company Act of 1940, as amended) of the Fund (the "Independent Trustees") met in executive session to discuss the approval of the advisory and sub-advisory agreements.

In advance of the meeting, the Advisor sent detailed information to the Trustees to assist them in their evaluation of the advisory and sub-advisory agreements. This information included, but was not limited to, (i) a memorandum from outside legal counsel that described the fiduciary duties of the Board with respect to approving the continuation of the advisory and sub-advisory agreements and the relevant factors for consideration, (ii) a memorandum from the Advisor that listed the factors relevant to the Board's approval of the continuation of the advisory and sub-advisory agreements and also referenced the documents that had been provided to help the Board assess each such factor, (iii) an inventory of the range of services provided by the Advisor and the Sub-Advisor for the Fund, (iv) a written discussion of economies of scale, (v) the advisory and sub-advisory agreements, (vi) a recent Fund fact sheet, which included, among other things, performance information over various time periods, (vii) a peer expense comparison of both the net expense ratio and investment advisory fee of the Fund, (viii) the Advisor's most recent Form 10-K and Form 10-Q, which includes information about the Advisor's profitability, (ix) information about brokerage commissions, (x) information about the Fund's compliance program, (xi) the Advisor's current Form ADV Part I, (xii) a completed questionnaire from the Sub-Advisor and summary thereof, (xiii) the Sub-Advisor's Code of Ethics, (xiv) the Sub-Advisor's Form ADV Parts I and II, and (xv) financial information of the Sub-Advisor's parent company.

All of the factors discussed were considered as a whole by the Trustees, and also by the Independent Trustees meeting in executive session. The factors were viewed in their totality by the Trustees, with no single factor being the principal or determinative factor in the Trustees' determination of whether to approve the continuation of the advisory and sub-advisory agreements. The Trustees recognized that the management and fee arrangements for the Fund are the result of years of review and discussion between the Independent Trustees and the Advisor, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements and information received during the course of the year and in prior years.

Prior to approving the continuation of the advisory and sub-advisory agreements, the Trustees, including the Independent Trustees in executive session, considered, among other items:

(1) The nature and quality of the advisory services provided by the Advisor and the Sub-Advisor.

(2) A comparison of the fees and expenses of the Fund to other similar funds.

(3) Whether economies of scale are recognized by the Fund.

(4) The costs and profitability of the Fund to the Advisor and the Sub-Advisor.

(5) The performance of the Fund.

(6) Any benefits to the Advisor and the Sub-Advisor from serving as an investment advisor to the Fund other than the advisory and sub-advisory fees.

The material considerations and determinations of the Trustees, including the Independent Trustees, were as follows:

(1) The Trustees considered the services identified below that are provided by the Advisor. Based on this review, the Trustees concluded that the Advisor provides high-quality services to the Fund, and they noted that their overall confidence in the Advisor is high. The Trustees also concluded that they were satisfied with the nature, extent, and quality of the advisory services provided to the Fund by the Advisor, and that the nature and extent of the services provided by the Advisor are appropriate to assure that the Fund's operations are conducted in compliance with applicable laws, rules, and regulations.

    (a) The Advisor oversees the Sub-Advisor for the Fund and the Sub-Advisor acts as the portfolio manager for the Fund.

    (b) The Advisor performs a daily reconciliation of portfolio positions and cash for the Fund.

    (c) The Advisor monitors the Fund's compliance with its investment objectives and restrictions.

    (d) The Advisor monitors compliance with federal securities laws and performs activities such as maintaining a compliance program, conducting ongoing reviews of the compliance programs of the Sub-Advisor and the Fund's other service providers, conducting on-site visits to the Sub-Advisor and the Fund's other service providers, monitoring incidents of abusive trading practices, reviewing Fund expense accruals, payments, and fixed expense ratios, evaluating insurance providers for fidelity bond coverage and D&O/E&O insurance coverage, conducting employee compliance training, reviewing reports provided by service providers, maintaining books and records, and preparing an annual compliance report to the Board.

    (e) The Advisor oversees the selection and continued employment of the Sub-Advisor, monitors the Sub-Advisor's adherence to the Fund's investment objectives, policies, and restrictions, and reviews the Fund's investment performance.

    (f) The Advisor oversees service providers that provide accounting, administration, distribution, transfer agency, custodial, sales and marketing, public relations, audit, information technology, and legal services to the Fund.

    (g) The Advisor maintains in-house marketing and distribution departments on behalf of the Fund.

    (h) The Advisor is actively involved with preparing regulatory filings for the Fund, including writing and annually updating the Fund's prospectus and related documents.

   (i) The Advisor reviews the written summary prepared by the Sub-Advisor of the Fund's performance for the most recent twelve-month period for each annual report of the Fund.
   (j) The Advisor oversees distribution of the Fund through third-party broker/dealers and independent financial institutions such as Charles Schwab, Inc., Fidelity, TD Waterhouse, and Pershing. The Advisor participates in "no transaction fee" ("NTF") programs with these companies on behalf of the Fund, which allow customers to purchase the Fund through third-party distribution channels without paying a transaction fee. The Advisor compensates, in part, a number of these third-party providers of NTF programs out of its own revenues.
   (k) The Advisor pays the incentive compensation of the Fund's compliance officers and employs other staff, such as legal, marketing, national accounts and distribution, sales, administrative, and trading oversight personnel, as well as management executives.
   (l) The Advisor provides a quarterly compliance certification to the Board.
   (m) The Advisor prepares or reviews Board materials, frequently presents to the Board or leads Board discussions, prepares or reviews meeting minutes, and arranges for Board training and education.

(2) The Trustees considered the services identified below that are provided by the Sub-Advisor:
   (a) The Sub-Advisor acts as the portfolio manager for the Fund. In this capacity, the Sub-Advisor does the following:
      (i) manages the composition of the Fund's portfolio, including the purchase, retention, and disposition of portfolio securities in accordance with the Fund's investment objectives, policies, and restrictions;
      (ii) ensures compliance with "best execution" for the Fund's portfolio; and
      (iii) manages proxy voting for the Fund.
   (b) The Sub-Advisor ensures that its compliance program includes policies and procedures relevant to the Fund and the Sub-Advisor's duties as a portfolio manager to the Fund.
   (c) The Sub-Advisor prepares a written summary of the Fund's performance for the most recent twelve-month period for each annual report of the Fund.
   (d) The Sub-Advisor provides a quarterly compliance certification to the Board regarding trading and allocation practices, supervisory matters, the Sub-Advisor's compliance program (including its code of ethics), compliance with the Fund's policies, and general firm updates.

(3) The Trustees considered the distinction between the services performed by the Advisor and the Sub-Advisor. It noted that the management of the Fund, including the oversight of the Sub-Advisor, involves more comprehensive and substantive duties than the duties of the Sub-Advisor. Specifically, the Trustees considered the lists of services identified above and concluded that the services performed by the Advisor for the Fund require a higher level of service and oversight than the services performed by the Sub-Advisor. Based on this determination, the Trustees concluded that the differential in advisory fees between the Advisor and the Sub-Advisor is reasonable.

(4) The Trustees compared the performance of the Fund to benchmark indices over various time periods and they also noted that they review and discuss reports comparing the investment performance of the Fund to various indices at each quarterly Board meeting. Based on all such information, the Trustees believe that the Advisor and the Sub-Advisor manage the Fund in a manner that is materially consistent with its stated investment objective and style. The Trustees concluded that the performance of the Fund over various time periods warranted the continuation of the advisory and sub-advisory agreements.

(5) The Trustees reviewed the advisory fees and overall expense ratios of the Fund compared to other funds similar in asset size and investment objective to the Fund using data from Morningstar. As part of the discussion with management, the Trustees ensured that they understood and were comfortable with the criteria used to determine the mutual funds included in the Morningstar categories for purposes of the materials considered at the meeting. The Trustees determined that the advisory fee and overall expense ratio of the Fund falls within the range of the advisory fees and overall expense ratios of other comparable funds and concluded that they are reasonable and warranted continuation of the advisory and sub-advisory agreements.

(6) The Trustees also considered whether economies of scale were being realized by the Advisor that should be shared with the Fund's shareholders. The Trustees noted that many of the expenses incurred to manage the Fund are asset-based fees and thus do not result in material economies of scale being realized as the assets of the Fund increase. For example, mutual fund platform fees increase as the Fund's assets grow. The Trustees also considered the Advisor's efforts to contain expenses, and took into account the Advisor's significant marketing efforts to increase Fund assets. The Trustees noted that at current asset levels it did not appear that there were economies of scale being realized by the Advisor and concluded that it would continue to monitor economies of scale in the future as circumstances changed.

(7) The Trustees considered the profitability of the Advisor and the Sub-Advisor, including the impact of mutual fund platform fees on the Advisor's profitability, and also considered the resources and revenues that the Advisor has put into managing and distributing the Fund. The Trustees then concluded that the profits of the Advisor and the Sub-Advisor are reasonable and not excessive when compared to profitability guidelines set forth in relevant court cases.

(8) The Trustees considered the high level of professionalism and knowledge of the Advisor's employees, along with a very low level of turnover, and concluded that this was beneficial to the Fund and its shareholders.

(9) The Trustees considered any benefits to the Advisor and the Sub-Advisor from serving as an advisor to the Fund other than the advisory fee or sub-advisory fee. The Trustees noted that the Advisor and the Sub-Advisor may derive ancillary benefits from, by way of example, their association with the Fund in the form of proprietary and third-party research products and services received from broker-dealers that execute portfolio trades for the Fund. The Trustees determined that any such products and services have been used for legitimate purposes relating to the Fund by providing assistance in the investment decision-making process. The Trustees concluded that any additional benefits realized by the Advisor and the Sub-Advisor from their relationship with the Fund were reasonable.

After reviewing the materials provided at the meeting and management's presentation, as well as other information regularly provided at the Board's quarterly meetings throughout the year regarding the quality of services provided by the Advisor and the Sub-Advisor, the performance of the Fund, expense information, regulatory compliance issues, trading information and related matters, and other factors that the Trustees deemed relevant, the Trustees, including the Independent Trustees, approved the continuation of the advisory and sub-advisory agreements.

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For information, questions or assistance, please call
The Hennessy Funds
1-800-966-4354 or 1-415-899-1555

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