



2013 Lipper Fund Award

Best Japanese Fund (HJPIX) for 3 year risk-adjusted performance among 10 Japanese funds for the period ended 11/30/12.

PORTFOLIO MANAGEMENT



Masakazu Takeda, CMA

- » Lead Portfolio Manager of the Hennessy Japan Fund since November, 2006
- » Analyst and fund manager with SPARX since 1999
- » Chartered Member of the Security Analysts Association of Japan

ABOUT FUND'S SUB-ADVISOR

SPARX Asset Management Co., Ltd. is a wholly owned subsidiary of SPARX Group Co., Ltd., a publicly traded asset manager based in Tokyo, Japan. Since its founding in 1989, SPARX has grown to be one of the largest and most experienced Asia-based asset management specialists.

OVERALL MORNINGSTAR RATING

as of 12/31/12

Hennessy Japan Fund



(Investor & Institutional)

Among 28 Japan Stock 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.

Past performance is not a guarantee of future results.

1. There appears to be renewed enthusiasm regarding the attractiveness of the Japanese market. What factors are driving this interest?

Japan's new Prime Minister, Shinzo Abe, favors a monetary policy that includes stimulus actions that are similar to those initiated by the U.S. Federal Reserve and the European Central Bank. The Bank of Japan, Japan's Central Bank, is predicted to inject more liquidity into the Japanese economy within the next few months. These actions will likely result in a weaker yen, which could make Japanese goods less expensive to Japan's trading partners. The expectation of these actions has already led to a weakening of the yen.

Japanese companies are known for quality products that are desired throughout the world. A weaker yen could result in higher revenue and profit for Japanese companies that derive a meaningful percentage of their operating results from exports. We believe that a weaker currency will boost stock prices and provide the impetus for investors to re-evaluate Japan's attractiveness and potentially increase their Japanese equity exposure.

2. How dependent are Japanese companies, in general, on exports?

Exports are critical to Japanese companies. In fact, about 50% of Japan's listed companies are export-oriented. China has recently become Japan's largest trading partner surpassing the United States. While Japanese technology and automobiles are prevalent in the American economy, basic goods such as personal care items and retailers are highly desired in Asia. There are more cultural similarities to the Asian consumer for these products and female consumers, in particular, covet Japan's strong brands. Interestingly, Europe has always been a smaller trading partner and Japanese companies have been insulated from the Eurozone woes.

With the Asian economies in a growth mode and the U.S. economy in recovery, we believe that the demand for Japanese goods and services will accelerate. A weaker yen should fuel this demand even more quickly.

3. How important is the Japanese economy to the success of larger Japanese companies?

Many Japanese companies tend to focus their efforts on the global marketplace rather than the domestic market. Premier Japanese companies are global powerhouses that aren't dependent solely upon the Japanese economy. The quality of the goods produced by these companies competes on par with other top global companies regardless of their domicile. Japanese corporations are known for astute management. We believe corporate Japan will take full competitive advantage of a weaker currency.

4. According to Morningstar, the Hennessy Japan Fund is classified as a growth fund. Does SPARX emphasize growth or value in their selection process?

As one of the largest independent equity managers in Japan, we do not consider ourselves to be a growth or value manager. As a fundamental, bottom-up manager we concentrate our efforts on selecting companies that we believe have multi-year growth prospects and are currently trading at a discount. In general, we tend to favor mid cap companies because they represent more potential opportunity and may be less widely followed by analysts than large cap stocks.

Because we are based in Japan, we believe our proprietary research provides SPARX with a competitive advantage relative to other managers covering Japanese securities from afar. Having "feet on the street" in Japan can provide far more research insight than other managers who attempt to gather information without a Japanese presence. We believe this insight can provide a significant benefit to investors that are seeking Japanese exposure through an actively managed portfolio.



Hennessy Japan Fund

(HJPNX, HJPIX)



[Comments and Opinions]

March 2013

5. The Hennessy Japan Fund is comprised of only 21 holdings as of December 31, 2012. Would you please discuss your portfolio composition strategy?

By design, the Fund represents our best ideas with respect to opportunities in larger Japanese companies. Our smaller number of holdings is a by-product of our strong conviction in the appreciation potential of these best ideas and the confidence in the quality of our proprietary research. As a Tokyo-based manager, we believe our local presence can give us greater insight and supports our belief that a smaller, yet diversified portfolio provides investors with greater appreciation potential without undue risk. We are pleased that our concentrated portfolio strategy has delivered favorable performance relative to its peer group and has a “Low” and “Below Average” risk designation by Morningstar for the 3 and 5 year periods ended December 31, 2012, respectively.

JAPAN FUND FACTS

Investor Symbol	HJPNX
Investor CUSIP	425894102
Institutional Symbol	HJPIX
Institutional CUSIP	425894201
Inception Date	10/31/03
Number of Holdings	21

FUND PERFORMANCE as of 12/31/12

Morningstar Category: Japan Stock	Average Annualized Total Return				
	Q4	1 Year	3 Year	5 Year	Since Inception (10/31/03)
Hennessy Japan Fund					
Investor Class	0.26%	11.61%	10.53%	1.46%	6.07%
Institutional Class	0.34%	11.94%	10.84%	1.63%	6.24%
Russell/Nomura Total Market Index	4.66%	8.05%	2.69%	-3.24%	2.35%
Tokyo Price Index (TOPIX)	5.66%	7.84%	2.59%	-3.38%	2.08%
Morningstar Japan Stock Funds Category	6.58%	11.27%	2.37%	-5.32%	NA
Category Rank (Investor Class)		30%	4%	28%	NA
# of funds in Japan Stock Funds Category		35	28	12	NA
Morningstar Risk (Investor Class)			Low	Below Average	NA
Annual Total Expense Ratio:	2.04% (Investor Class)	1.86% (Institutional Class)			

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.hennessyfunds.com.

FOR MORE INFORMATION

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Important Disclosures

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 summary and statutory prospectuses, which can be obtained by calling 800-890-7118 or visiting www.hennessyfunds.com. Please read the prospectus carefully before investing. Small and medium-capitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies. Investments in foreign securities involve greater volatility and political, economic and currency risk and differences in accounting methods. The Fund may participate in initial public offerings ("IPOs") which may result in a magnified impact on the performance of the Fund. IPO's are frequently volatile in price and may increase the turnover of the Fund, which may lead to increased expenses.

The Russell/Nomura Total Market Index is a market capitalization-weighted index of Japanese equities. The Tokyo Stock Price Index (TOPIX) is a market capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange. The Russell/Nomura Small Cap Index represents the universe of small capitalization companies in the Japanese equity markets. The Russell/Nomura Indexes and TOPIX indices are presented in U.S. Dollar terms and take into account reinvestment of dividends. One cannot invest directly in an index. The Morningstar Japan Stock Funds Category consists of Japan-stock portfolios. These portfolios invest at least 70% of total assets in equities and invest at least 75% of stock assets in Japan.

Morningstar Proprietary Ratings reflect risk-adjusted performance as of 12/31/12. For each fund with at least a three year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar risk-adjusted return measure that accounts for variation in a fund's monthly performance placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each 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. Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in distribution percentage. The Investor Class of the Japan Fund received 5 stars for the three year period and 4 stars for the five year period ended 12/31/12 among 28 and 12 Japan Stock Funds, respectively. Other share classes may differ. ©Morningstar, Inc. All Rights Reserved. **Past performance does not guarantee future results.** Morningstar Risk scores for a given time period (three, five, or 10 years) reflect the Fund's Morningstar risk score plotted on a bell curve: Monthly calculations are based on whether the Fund scores in the top 10% of its category, its risk score is considered High; if it falls in the next 22.5% Above Average; a place in the middle 35% is Average; those lower still, in the next 22.5%, are Below Average and the bottom Low. Overall Morningstar risk score is a weighted average of the available three, five, and 10 year Morningstar risk scores. Investments with less than three years of performance history are not rated.

A Lipper Fund Award is awarded to one fund in each Lipper classification for achieving the strongest trend of consistent risk-adjusted performance against its classification peers over a three, five or ten-year period. Although Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Lipper. Lipper Analytical Services, Inc. is an independent mutual fund research and rating service. The award is specific to Institutional shares and does not apply to other share classes of the Fund. ©2013, All Rights Reserved.

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