

Risk Factors Comparison 2023-12-07 to 2022-12-07 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

Investors in **Many competitors offer similar products to** the Hennessy Funds can redeem, **and their -- the failure** investments at any time and for ~~or negative~~ any reason, including poor investment performance and volatile equity markets. A decline of **competitors' products could lead to a loss of confidence** in **the corresponding products** our assets under management adversely affects our revenues. Investors in the Hennessy Funds may redeem **lineup, irrespective of their -- the** investments at any time and for any reason without prior notice. Success in the investment advisory and fund business is largely dependent on investment performance **of**, as well as investor servicing and distribution. If the Hennessy Funds perform poorly compared to the investment, **Any loss of confidence in a products -- product type could lead to** offered by other investment advisory firms, we may experience a decrease in purchases of shares and an increase in redemptions **in** of shares of the Hennessy Funds **Fund within**. Further, sharp declines in the stock market, such **product type** as those experienced during fiscal year 2022, **which could** have **a material** and may continue to cause increases in redemptions of shares of the Hennessy Funds. Such redemptions reduce our assets under management and adversely **adverse affect effect on** our revenues **business, results of operations, and financial condition**. Our business and operations are subject to adverse effects from market reactions to the outbreak of contagious diseases. The outbreak and spread of contagious diseases such as COVID-19 has adversely impacted global commercial activity, contributed to significant volatility in global equity and debt markets, and disrupted supply chains, operations, and economic activity. The COVID-19 pandemic adversely impacted the value and performance of the Hennessy Funds, which resulted in declines in our revenues. It also limited our ability to source and pursue potential acquisitions. Future outbreaks of contagious diseases could have similar adverse impacts on our business and financial performance. **Adverse** opinions of the Hennessy Funds by third parties, including rating agencies or industry analysts, could decrease new investments in, or accelerate redemptions from, the Hennessy Funds, which would adversely affect our revenues. The Hennessy Funds are rated, ranked, and assessed by independent third parties, including rating agencies, industry analysts, distribution partners, and industry periodicals. These ratings, rankings, and assessments often influence the investment decisions of investors, but they can be affected by a number of factors that are not under our direct control and may change frequently. For example, a ranking agency like Morningstar may change its ranking designs and methodology, which could result in a decrease in the ratings of the Hennessy Funds without any action on our part. If the Hennessy Funds received an adverse rating, ranking, or assessment from a third party, it could result in an increase in the withdrawal of assets from the Hennessy Funds by existing investors and the inability to attract additional investments into the Hennessy Funds from existing and new investors, thereby reducing our assets under management and adversely affecting our revenues. The failure or negative performance of products offered by competitors may have a negative impact on the Hennessy Funds within such similar product type, irrespective of our fund performance. Many competitors offer similar products to the Hennessy Funds, and the failure or negative performance of competitors' products could lead to a loss of confidence in the corresponding products in the Hennessy Funds lineup, irrespective of the performance of the Hennessy Funds. Any loss of confidence in a product type could lead to redemptions in the Hennessy Fund within such product type, which could have a material adverse effect on our business, results of operations, and financial condition.

RISKS RELATING TO OUR BUSINESS MODEL AND OPERATIONS We derive a substantial portion of our revenues from a limited number of the Hennessy Funds. For the past several years, approximately 75 % of our assets under management has been concentrated in **four-five** of our funds. During fiscal year **2022-2023**, our average assets under management was concentrated in the following **four-five** funds: (i) the Hennessy Focus Fund (**27-23** % of average assets under management); (ii) the Hennessy **Japan Gas Utility** Fund (**16-17** % of average assets under management); (iii) the Hennessy **Gas Utility Cornerstone Midcap 30** Fund (**16-15** % of average assets under management); and (iv) the Hennessy **Japan Cornerstone Mid Cap 30** Fund (10 % of average assets under management) ; and (v) **the Hennessy Cornerstone Value Fund (10 % of average assets under management)**. Consequently, our revenues followed a similar pattern of concentration: (a) the Hennessy Focus Fund (**32-27** % of total revenue); (b) the Hennessy **Japan Cornerstone Midcap 30** Fund (**16-15** % of total revenue); (c) the Hennessy **Gas Utility Mid Cap 30** Fund (10 % of total revenue); and (d) the Hennessy **Gas Utility Cornerstone Value** Fund (**9-10** % of total revenue); and (e) **the Hennessy Japan Fund (10** % of total revenue). As a result, our operating results are particularly dependent upon the performance of a very small number funds and our ability to maintain and grow assets under management in these funds. These funds have experienced significant redemptions in recent years and may continue to do so for the future. This has reduced, and may continue to reduce, our assets under management and revenues.

~~20~~ We utilize unaffiliated sub ~~--~~ advisors to manage the portfolio composition of certain of the Hennessy Funds, and any matters that have an adverse impact on their businesses or any change in our relationships with our sub ~~--~~ advisors could lead to a reduction in assets under management, which would adversely affect our revenues. We utilize unaffiliated sub ~~--~~ advisors to manage the portfolio composition of some of the Hennessy Funds. Although we perform due diligence on our sub ~~--~~ advisors, we do not manage their day ~~--~~ to ~~--~~ day business activities. Our financial condition and profitability may be adversely affected by situations that are specific to such sub ~~--~~ advisors, such as disruption of their operations, their exposure to disciplinary action, or reputational harm to them. We periodically negotiate the terms and conditions of these sub ~~--~~ advisory relationships, and there can be no assurance that such terms will remain acceptable to us or our sub ~~--~~ advisors. These relationships may also be terminated by us or the applicable sub ~~--~~ advisor **without penalty on 60 days' notice. In addition, each sub - advisory agreement must be renewed annually by the Funds' Board of Trustees (or by the vote of a majority of the outstanding shares of the applicable Hennessy Fund), including a majority of the disinterested trustees. Furthermore, a sub -**

advisory agreement automatically terminates if it is assigned. Assignment is generally defined under the 1940 Act and the Advisers Act to include direct assignments as well as assignments that are deemed to occur due to the change in control of the investment advisor, which includes us or one of the sub - advisors that we have engaged on behalf of certain of the Hennessy Funds. However, a transaction is not an assignment under the 1940 Act or the Advisers Act if it does not result in a change of actual control or management of us or, in the context of a sub - advisor, a change upon short notice without penalty. An interruption or termination of actual control or management of the sub - advisor.

22 Generally, if a sub - advisor experiences a change of control but we do not, we could continue acting as an advisor to the applicable Hennessy Fund, but the shareholders of such Hennessy Fund would have to approve a new sub - advisory agreement for the sub - advisor. However, for the Hennessy Stance ESG ETF, we have the authority to appoint and replace unaffiliated sub - advisors and to enter into and make material amendments to the related sub - advisory agreements without shareholder approval. This is because we recently sought and received an exemptive order from the SEC to operate under a manager of managers structure and subsequently obtained shareholder approval to implement such structure for the Hennessy Stance ESG ETF. Under the manager of managers structure, we have ultimate responsibility, subject to oversight of and approval by the Hennessy Funds' Board of Trustees, for overseeing the Hennessy Funds' unaffiliated sub - advisors and recommending their hiring, termination, or replacement. We have not yet received, and do not have an estimated timeline for receiving, shareholder approval to operate under a manager of managers structure for the Hennessy Mutual Funds that are sub - advised. Any interruption or termination of our sub - advisory relationships, whether due to a change of control or any other circumstance, could affect our ability to market our sub - advised funds and result in a reduction in assets under management, which would adversely affect our revenues. We utilize a unitary fee structure for the Hennessy Stance ESG ETF, and we bear the risk that the Fund's operating expenses may increase and lead to a reduction in our revenues from the fund. The Hennessy Stance ESG ETF pays us a unitary fee under its investment advisory agreement with us. Under a unitary fee structure, we bear all operating expenses incurred in connection with providing services to the fund. The operating expenses covered by the unitary fee include third party data providers, transfer agency, custody, fund administration, legal, audit and other services. Additionally, for no compensation, we pay all other operating expenses of the fund, including sub - advisory fees, with the exception of the following: (1) the management fees paid to us; (2) distribution fees and expenses paid by the fund under any distribution plan adopted pursuant to Rule 12b- 1 under the Investment Company Act; (3) interest expenses; (4) brokerage expenses, trading expenses, and other expenses (such as stamp taxes) in connection with the execution of portfolio transactions or in connection with creation or redemption transactions; (5) compensation paid to the independent trustees of the fund and fees paid to independent trustees' counsel; (6) tax expenses and governmental fees; and (7) extraordinary expenses not incurred in the course of ordinary business (the " Excluded Fees "). The fund and its shareholders bear the costs of Excluded Fees. The unitary fee structure generally eliminates the possibility for any decrease in the total fund expense ratio during periods when assets under management increased, which could lead to increased profitability for us if we are able to achieve economies of scale. On the other hand, if the fund's operating expenses increase (other than Excluded Fees), this will lead to a reduction in our revenues from the fund. We depend on key personnel to manage our business, and the loss of any key person's services, combined with our inability to identify and retain a suitable replacement for such person, could materially adversely affect us. Additionally, the cost to retain our key personnel could put pressure on our operating margins. Our success is largely dependent on the skills, experience, and performance of our key personnel. The business acumen, investment advisory expertise, and business relationships of our key personnel are critical elements in operating and expanding our business. Financial services professionals are in high demand, and we face significant competition for qualified employees. The loss of services of any of our key personnel for any reason, combined with our inability to identify and retain a suitable replacement for such person, could have a material adverse effect on our business, results of operations, and financial condition. Moreover, in order to retain key personnel, we may be required to increase compensation to such individuals, resulting in additional expense. We have debt and may incur additional debt, which may increase the risk of investing in us and may harm our financial condition and results of operations. Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and therefore increase the risks associated with investing in our securities. On 23 October 20, 2021, we completed a public offering of the 2026 Notes in the aggregate principal amount of \$ 40. 25 million, which included the full exercise of the underwriters' overallotment option. The 2026 Notes mature on December 31, 2026, and may be redeemed in whole or in part at any time or from time to time at our option on or after December 31, 2023. The 2026 Notes bear interest at 4. 875 % per annum, payable on the last day of each calendar quarter and at maturity, beginning December 31, 2021. The 2026 Notes are direct unsecured obligations, rank equally in right of payment with any of our future unsecured unsubordinated indebtedness, senior to any of our future indebtedness that expressly provides that it is subordinate to the 2026 Notes, effectively subordinate to all of our existing and future secured indebtedness, and structurally subordinated to all existing and future indebtedness and other obligations of any future subsidiaries of ours. We may incur additional debt in the future. Our indebtedness could (i) decrease our ability to obtain additional financing for working capital, capital expenditures, general corporate or other purposes, (ii) limit our flexibility to make acquisitions, (iii) increase our cash requirements to support the payment of interest, (iv) limit our flexibility in planning for, or reacting to, changes in our business and our industry, and (v) increase our vulnerability to adverse changes in general economic and industry conditions. Our ability to make payments of principal and interest on our indebtedness depends upon our future performance, which is subject to general economic conditions and financial, business, and other factors affecting our consolidated operations, many of which are beyond our control. 21 Changes in the distribution channels on which we depend could reduce our net revenues and hinder our growth. Our primary source of distribution of the Hennessy Funds is through a variety of third - party financial intermediaries institutions. Our success is highly dependent on access to these various distribution channels. We cannot guarantee we will be

able to retain access to these channels at similar pricing or at all. Increasing competition for these distribution channels could cause our distribution costs to rise, which could have a material adverse effect on our net income. These financial intermediaries institutions generally can terminate their relationships with us on short notice. Mergers and other corporate transactions among distributors also may affect our relationships with financial intermediaries institutions. Certain of the financial intermediaries institutions upon whom we rely to distribute the Hennessy Funds also sell their own competing proprietary investment products, which could limit the distribution of our products. Investors increasingly rely on external consultants and other third parties for advice on the choice of investment manager. These consultants and third parties tend to exert a significant degree of influence over their clients' choices, and they may favor one of our competitors as better meeting their particular clients' needs. There is no assurance that the Hennessy Funds will be among their recommended choices in the future. Additionally, particularly in the United States, certain third-party financial intermediaries institutions have substantially reduced the number of investment funds they make available to their clients. If a material portion of the financial intermediaries institutions with whom we do business were to substantially narrow their product offerings, it could have a significant adverse effect on our assets under management, revenues, and net income. More broadly, in both retail and institutional channels, financial intermediaries institutions (distribution firms and consultants) are seeking to reduce the number of investment management firms with which they do business. This poses risks of additional lost business if a particular financial intermediary institution chooses to stop or significantly reduce its business relationship with us. Any failure to maintain strong business relationships with these financial intermediaries institutions and the consultant community due to any of the above-described factors would impair our ability to distribute the Hennessy Funds, which in turn would have a negative effect on our assets under management, revenues, and net income. Management contracts purchased by us are currently classified as an indefinite life asset subject to impairment analysis. The impairment analysis is based on subjective criteria, and an impairment loss could be recorded. The management contracts we have purchased, an \$ 80-81.93 million asset on the balance sheet as of the end of fiscal year 2022 2023, are considered an intangible asset with an indefinite useful life. Management reviews the indefinite life classification of our management contracts contract asset each reporting period. If the management contracts contract asset is ever reclassified as an asset with a definite life, we would begin amortizing the management contracts over their remaining useful life. If the management contracts contract asset continues to be classified as an indefinite life asset, we will continue to periodically review the carrying value to determine if any impairment has occurred. The impairment analysis is based on anticipated future cash flows, which are calculated based on assets under management. Although the management contracts contract asset is not currently impaired, there is always a possibility of impairment in the future, which could require us to write off all or a portion of the asset. A write-off, depending on the amount, could have operational risks and could have a significant impact on the value of our equity and our earnings per share. We 24 We may be required to forego all or a portion of our fees under our investment advisory agreements with the Hennessy Funds. On an annual basis, the Funds' Board of Trustees must assess the reasonableness of our investment advisory fees. While the Funds' Board of Trustees has found our investment advisory fees to be reasonable in the past, we cannot guarantee that it will continue to do so. Additionally, we regularly analyze the expense ratios of the Hennessy Funds and have the right to waive fees to compete with other funds with lower expense ratios (although in the past we have only waived fees based on contractual obligations). Any waiver of or reduction in fees would cause our revenues to decline and could adversely affect our business, results of operations, and financial condition. Any fee waiver would apply only on a going forward basis. The Hennessy Japan Fund and the Hennessy Japan Small Cap Fund invest in the Japanese stock market in yen, which involves foreign exchange and economic uncertainties. The Hennessy Japan Fund and the Hennessy Japan Small Cap Fund are invested in securities listed on the Japanese stock market, which exposes these funds to risks that are not typically associated with an investment in a U. S. issuer. The values of these funds fluctuate with changes in the value of the Japanese yen versus the U. S. dollar. Investments in Japanese securities also expose these funds to the economic uncertainties affecting Japan, which may differ from those affecting the United States. For example, the adverse effects of a pandemic may disproportionately impact Japan. Further, Japanese financial accounting standards and practices may differ, and there may be less information on Japanese companies available publicly. If these circumstances result in a reduction in the total assets of the Hennessy Japan Fund and the Hennessy Japan Small Cap Fund, our assets under management would be reduced, which would adversely affect our revenues. We utilize quantitative investment strategies for some of the Hennessy Funds that require us to invest in specific portfolios of securities and hold these positions for a specified period of time regardless of performance. Our formula driven funds adhere to quantitative investment strategies, and the portfolios of stocks held by such funds are rescreened and rebalanced at designated times in accordance with such investment strategies. Adhering to our investment strategies regardless of any adverse developments that may arise could result in substantial losses to the formula driven Hennessy Funds if, for example, the stocks selected for a fund are experiencing financial difficulty or are out of favor with investors in a given period. This could, in theory, result in relatively low performance of the formula driven Hennessy Funds and adversely affect the net assets of such Hennessy Funds. A decrease in the net assets of the Hennessy Funds would adversely affect our revenues. We pursue strategic asset purchases as part of our regular business strategy, and such acquisitions involve inherent risks that could adversely affect our operating results and financial condition and potentially dilute the holdings of current shareholders. As part of our regular business strategy, we pursue strategic purchases of the assets related to the management of additional funds. This strategy is accompanied by risks including, among others, the possibility of the following:

- the potential unavailability of attractive acquisition opportunities;
- a high level of competition from other companies that may have greater financial resources than we do;
- our inability to value potential asset purchases accurately and negotiate acceptable purchase terms;
- our inability to obtain quorum and secure enough affirmative votes to gain approval of the proposed fund reorganization from the target fund's investors;
- the loss of fund assets paid for in an asset purchase through redemptions by investors of the funds involved in the asset purchase;
- higher than anticipated asset purchase expenses;
- 25 our inability to successfully integrate and maintain adequate

infrastructure to support business growth; ~~•~~ increasing our leverage; ~~•~~ the potential diversion of our management's time and attention; ~~•~~ dilution to our shareholders if we fund an asset purchase in whole or in part with our common stock; and ~~•~~ adverse effects on our earnings if purchased intangible assets become impaired. While we seek to mitigate these risks through, among other things, due diligence and indemnification provisions, these or other risk-mitigating measures that we put in place may not be sufficient to address these risks. If one or more of these risks occur, we may be unable to successfully complete a purchase of management ~~—~~ related assets (thereby requiring us to write off any related expenses), we may experience an impairment of our management ~~contracts—~~ **contract** asset, we may receive negative publicity or suffer other negative impacts on our reputation, and we may not achieve the expected return on investment. Any of these results could have an adverse effect on our business, results of operations, and financial condition. ~~23~~ Our investment advisory and shareholder servicing agreements can be terminated on short notice, are not freely assignable, and must be renewed annually; the loss of such agreements would reduce our revenues. We generate all of our operating revenues from the investment advisory and shareholder servicing agreements with the Hennessy Funds. These agreements may be terminated without penalty on 60 days' notice and may not be assigned without the consent of investors in the Hennessy Funds. In addition, they each must be renewed annually by the Funds' Board of Trustees (or, in the case of our investment advisory agreements, by the vote of a majority of the outstanding shares of the applicable Hennessy Fund), including a majority of the disinterested trustees. The termination or non-renewal of these agreements, or the renegotiation of the terms of these agreements in a manner detrimental to us, could result in a substantial reduction in revenues, which could have a material adverse effect on our business, results of operations, and financial condition.

RISKS RELATING TO OUR INDUSTRY Investor behavior is influenced by short-term investment performance. Investor behavior may be based on many factors, including short-term investment performance. Poor short ~~—~~ term performance of the Hennessy Funds, irrespective of longer ~~—~~ term success, could potentially lead to a decrease in purchases of shares of the Hennessy Funds and an increase in redemptions, thereby reducing our assets under management and adversely affecting our revenues. Assets invested through ~~third-party financial intermediaries~~ **institutions** can be quickly redeemed, which could reduce our revenues. ~~Third-party financial~~ **Financial intermediaries institutions** are attractive to investors because of the ease of accessibility to a variety of funds, but this may cause the investments to be more sensitive to fluctuations in performance, especially in the short term. If we were unable to retain the assets of the Hennessy Funds held through financial ~~intermediaries~~ **institutions**, our assets under management would be reduced. As a result, our revenues could decline and our business, results of operations, and financial condition could be materially adversely affected. ~~We~~ **26** ~~We~~ face intense competition in attracting investors and retaining net assets in the Hennessy Funds. The investment advisory industry is intensely competitive and new participants are continually entering the industry. We compete directly with numerous global and U. S. investment advisors, commercial banks, savings and loan associations, brokerage and investment banking firms, broker-dealers, insurance companies, and other financial institutions that often provide investment products with similar features and objectives to those we offer. These institutions range from small boutique firms to large financial services complexes. We are considered a small investment advisory company. Many competing companies are part of larger financial services companies that conduct business in more markets and have greater marketing, financial, technical, research, and distribution resources and other capabilities than we do. Most of the larger firms offer a broader range of financial services to the same retail and institutional investors that we seek to serve. If we are unable to attract investors and retain net assets in the Hennessy Funds due to increased competition, our revenues could decline and we could experience a material adverse effect on our business, results of operations, and financial condition. For more information regarding competitive factors, see the "Competition" subheading in Item 1, "Business." We may be unable to develop or acquire new products and the development of new products may expose us to reputational harm, additional costs, or operational risk. Our continued financial performance may depend on our ability to react to changes in the asset management industry, respond to evolving investor demands and develop, market, and manage new investment products. Conversely, the development and introduction of new products, including the creation or acquisition of products with a focus on ESG ~~(environmental, social, and governance)~~ matters, requires continued innovative effort on our part and may require significant time and resources, as well as ongoing support and investment. Substantial ~~24~~ risks and uncertainties are associated with the introduction of new products, including the implementation of new and appropriate operational controls and procedures, shifting investor and market preferences, the introduction of competing products, constraints on our ability to manage growth, and compliance with regulatory and disclosure requirements. A growing number of new products also depend on data provided by third parties as analytical inputs and are subject to additional risks, including with respect to data quality, cost, availability, and provider relationships. There can be no assurance that we will be able to develop or acquire new products that address the needs of investors on the timescale they require. Any failure to successfully develop or acquire new products, or effectively manage associated operational risks, could harm our reputation and expose us to additional costs, which may reduce our assets under management and adversely affect our revenues. Market consolidation and industry trends could negatively impact our business. In recent years, there have been several instances of industry consolidation in both the distribution and investment management areas. Further consolidation may occur in these areas in the future. The increasing size and market influence of certain distributors of our products and of certain direct competitors may have a negative impact on our ability to compete at the same levels of profitability in the future. Additionally, the market environment has increasingly led some investors to favor lower-fee, passive products. As a result, investment advisors that emphasize passive products have gained, and may continue to gain, market share from active managers like us. Industry trends and market pressure to lower our investment advisory fees could reduce our profit margin. Our profits are highly dependent on the fees we are able to charge to the Hennessy Funds for investment advisory services. To the extent we are forced to compete on the basis of the investment advisory fees we charge to the Hennessy Funds, we may not be able to maintain our current fee structures. We have historically competed primarily on the performance of the Hennessy Funds and not on the level of our investment advisory fees relative to those of our competitors. In recent years, however, there has been a trend toward lower fees in the investment advisory industry.

To maintain our fee structures in a competitive environment, we must be able to provide investors in the Hennessy Funds with investment returns and service that will adequately compensate them for investing in our funds with our current fee structures. We may not succeed in maintaining our current fee structures, and fee reductions on existing or future business could have a material adverse effect on our results of operations. Higher insurance premiums and increased insurance coverage risks could increase our costs and reduce our profitability. We carry insurance in amounts and under terms that we believe are appropriate, but we cannot guarantee that our insurance policies will cover all liabilities and losses to which we may be exposed or, if covered, that such liabilities and losses will not exceed insurance coverage limits or that our insurers will remain solvent and meet their obligations. In addition, insurance premiums and required retentions have increased in recent years ~~the past~~ and may continue to do so ~~again in the future~~. We ~~27~~ We are subject to regulatory and governmental inquiries and civil litigation. An adverse outcome of any such proceeding could involve substantial financial penalties. Various claims may also arise against us in the ordinary course of business, such as employment- related claims. There has been increased incidence of litigation and regulatory investigations in the financial services industry in recent years, including customer claims and class action suits alleging substantial monetary damages. Certain insurance coverage may not be available or may be prohibitively expensive in future periods. As our insurance policies come up for renewal, we may need to assume higher deductibles or co- insurance liabilities, or pay higher premiums, which would increase our expenses and have a material adverse effect on our results of operations. We depend on information technology, and any failures of or damage to, attack on or unauthorized access to our information technology systems or facilities, or those of third parties with which we do business, including as a result of cyber - attacks, could result in significant limits on our ability to conduct our operations and activities, costs, and reputational damage. We use software and related technologies throughout our business and also utilize third- party vendors who use software and related technologies to provide services to us and the Hennessy Funds. We are dependent on the effectiveness of our information and cybersecurity policies, procedures, and capabilities we maintain to protect our computer and telecommunications systems and the data that resides on or is transmitted through them, including ~~25~~ data provided by third parties that is significant to our business. An information security incident, such as a cyber- attack involving a phishing scam, business email compromise, malware, or ransomware attack, or an internally caused incident or disruption, such as misuse or a failure to control access to sensitive systems, could materially interrupt our business operations or cause disclosure or modification of sensitive or confidential investor or competitive information. Moreover, our growing reliance on mobile and cloud technology and any failure by mobile technology and cloud service providers to adequately safeguard their systems and prevent cyber- attacks could disrupt our operations and result in misappropriation, corruption, or loss of personal, confidential, or proprietary information or third- party data. Additionally, although we take precautions to password protect and encrypt our laptops and other mobile electronic hardware, if such hardware is stolen, misplaced, or left unattended, it may become vulnerable to hacking or other unauthorized use, creating a possible security risk and resulting in potentially costly actions. Furthermore, there is a risk that encryption and other protective measures may be circumvented, particularly to the extent that new computing technologies increase the speed and computing power available. The financial services industry has been the subject of cyber- attacks involving the dissemination, theft, and destruction of corporate information or other assets as a result of failure to follow procedures by employees or as a result of actions by third parties, including actions by terrorist organizations and nation -- state actors. Although we have implemented policies and controls to prevent and address potential data breaches, inadvertent disclosures, increasingly sophisticated cyber- attacks, and cyber- related fraud, there can be no assurance that any of these measures will prove effective. Because the techniques used to obtain unauthorized access, disable, or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques, to implement adequate preventative measures, or to address them until they are discovered. In addition, a successful cyber- attack may persist for an extended period of time before being detected, and it may take a considerable amount of time for an investigation to be completed and the severity and potential impact to be known. While such an investigation is ongoing, we may not necessarily know the extent of the harm or how best to remediate it, certain errors or actions could be repeated or compounded before they are discovered and remediated, and communication to the public, regulators, shareholders, and investors in the Hennessy Funds may be inaccurate, any or all of which could further increase the costs and consequences of an information security incident. If any of these events were to occur, we could suffer a financial loss, a disruption of our business, liability to the Hennessy Funds and their investors, regulatory intervention, or reputational damage, any of which could have a material adverse effect on our business, results of operations, and financial condition. We also may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures. In addition, our cybersecurity insurance may not cover all losses and damages from such events and our ability to maintain or obtain sufficient insurance coverage in the future may be limited. Finally, cybersecurity and data privacy have become high priorities for regulators, and many jurisdictions are enacting laws and regulations in these areas. ~~Two such laws are the California Consumer Privacy Act of 2018, which took effect in 2020, and the California Privacy Rights Act of 2020, which will take effect in 2023.~~ Enactment of new privacy laws or regulations could, among other things, result in additional costs of compliance or litigation. In addition, while we strive to comply with the relevant laws and regulations, any failure to comply could result in regulatory investigations and penalties as well as negative publicity, which could materially adversely affect our business, results of operations, and financial condition. We ~~28~~ We are exposed to legal risk and litigation, which could increase our expenses and reduce our profitability. We are subject to a number of sources of potential legal liability, including, by way of example, investors in the Hennessy Funds, our own shareholders, our employees, or regulators. Lawsuits or investigations that we may become involved in could be very expensive and highly damaging to our reputation, even if the underlying claims are without merit. Our business is extensively regulated, which increases our costs of doing business, and our failure to comply with regulatory requirements may harm our financial condition. Our business is subject to extensive regulation in the United States, particularly by the SEC. We are subject to regulation under

the Securities Act of 1933, as amended, the Exchange Act, the ~~1940 Investment Company Act of 1940~~, the ~~Investment Advisers Act of 1940~~, and various other statutes. The laws to which we are subject are designed primarily to protect investors in the Hennessy Funds as opposed to our shareholders. In addition to an ~~26~~ increased number of applicable laws, the investment fund industry has undergone increased scrutiny by the SEC and state regulators in recent years, resulting in numerous enforcement actions and sweep examinations. Increased regulation has increased our costs in managing the Hennessy Funds, and we could continue to experience higher costs if new laws require us to spend more time, hire additional personnel, or buy new technology to comply effectively. Any change in law could also have a material adverse effect on us by limiting the sources of our revenues and increasing our costs. In addition to securities regulations, our business also may be materially adversely affected by other types of laws and policies. Any determination of a failure to comply with applicable laws, rules, or regulations could expose us or our employees to civil liability, criminal liability, or disciplinary or enforcement action, with penalties that could include the disgorgement of fees, fines, sanctions, suspensions, or censure of individual employees, or revocation or limitation of business activities or registration, and may result in monetary losses that are not covered by insurance in adequate amounts or at all, any of which could have an adverse impact on our financial condition and results of operations. Further, if we or our employees were to fail to comply with applicable laws, rules, or regulations, or be named as a subject of an investigation or other regulatory action, the public announcement and potential publicity surrounding any such investigation or action could have an adverse effect on our reputation and our stock price and result in increased costs, even if we or our employees were found not to have violated such laws, rules, or regulations. Changes to U. S. or state tax laws, our failure to adequately comply with U. S. or state tax laws, or the outcome of any audits or regulatory disputes with respect to our compliance with U. S. or state tax laws could adversely affect us. Changes to U. S. or state tax law could be enacted in the future that could have a material adverse effect on our business, results of operations, and financial condition. Further, we are subject to potential tax audits in various jurisdictions and in such event, tax authorities may disagree with certain positions we have taken and assess penalties or additional taxes. While we assess regularly the likely outcomes of these potential audits, there can be no assurance that we will accurately predict the outcome of a potential audit, and an audit could have a material adverse impact on our business, results of operations, and financial condition. Our investment advisory agreements require us to adhere to the investment policies and strategies of the Hennessy Funds; any failure to comply with such requirements could result in claims, losses, or regulatory sanctions. Our investment advisory agreements with the Hennessy Funds contain contractual provisions that require us to comply with the investment policies and strategies of the Hennessy Funds when we provide our investment advisory services. We are also required to comply with numerous investment, asset valuation, distribution, and tax requirements under applicable law and regulations. Any allegation of a failure to adhere to these requirements could result in investor claims, reputational damage, withdrawal of assets, and potential regulatory sanctions, any of which could negatively impact our revenues and earnings. We have implemented procedures and utilize the services of experienced administrators, accountants, and lawyers to assist in satisfying these requirements, but there can be no assurance that these precautions will protect us from potential liabilities. ~~We 29~~ We may need to raise additional capital to fund new business initiatives, and resources may not be available to us in sufficient amounts or on acceptable terms, which could have an adverse impact on our business. Our ability to meet our future cash needs is dependent upon our ability to generate cash. Although we have been successful in generating sufficient cash in the past, we may not be successful in the future. We may need to raise additional capital to fund new business initiatives or repay the 2026 Notes, and financing may not be available to us in sufficient amounts, on acceptable terms, or at all. Our ability to access bank financing or capital markets efficiently depends on a number of factors, including the state of credit and equity markets, interest rates, and credit spreads. If we are unable to access sufficient capital on acceptable terms, our business could be adversely impacted. ~~27~~ Failure to establish adequate controls and risk management policies, as well as circumvention of established controls and policies by employees, could harm us by impairing our ability to attract and retain investors in the Hennessy Funds and by subjecting us to significant legal liability, regulatory scrutiny, and reputational harm. Our reputation is critical to attracting and retaining investors in the Hennessy Funds. In recent years, there have been a number of highly publicized cases involving fraud, conflicts of interest, or other misconduct by individuals in the financial services industry. We have implemented controls and risk management policies to monitor and manage risks, but we cannot be certain that such controls and policies will successfully identify and manage internal and external risks. Further, although we strive to conduct our business in accordance with the highest ethical standards and emphasize the importance of doing so to our employees, there is a risk that our employees could engage in misconduct that adversely affects our business. For example, if an employee were to engage in, or be accused of engaging in, illegal or suspicious activity (such as improper trading, disclosure of confidential information, or breach of fiduciary duties), we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial position, and ability to maintain and grow the number of investors in the Hennessy Funds. The historical performance of the Hennessy Funds should not be considered indicative of the future results of the Hennessy Funds or of any returns expected on our common stock. The historical performance of the Hennessy Funds is relevant to returns on our common stock only insofar as the fees we have earned in the past and may earn in the future, which are based on average assets under management, may impact the performance of our common stock. Positive performance of the Hennessy Funds typically increases our revenues, which in turn could positively affect our business, and poor performance typically reduces our revenues, which in turn could adversely affect our business. However, the historical and potential future returns of the Hennessy Funds are not directly linked to returns on our common stock, such that positive performance of the Hennessy Funds will not necessarily result in positive returns on our common stock and poor performance of the Hennessy Funds will not necessarily result in negative returns on our common stock. Moreover, the historical performance of the Hennessy Funds should not be considered indicative of the future results that should be expected from such funds. **RISKS RELATING TO OUR COMMON STOCK** Ownership of a large percentage of our common stock is concentrated with a small number of shareholders, which could increase the volatility in our stock trading and significantly affect our share price and causes us to experience limited trading

volume in our securities. We have a limited number of shareholders, and a large percentage of our common stock is held by an even fewer number of shareholders. If our larger shareholders were to decide to liquidate their ownership positions, it could cause significant fluctuations in the share price of our common stock. Having a limited number of shareholders also causes us to experience limited trading volume in our securities. ~~We~~³⁰~~We~~ intend to pay regular dividends to our shareholders, but our ability to do so is subject to the discretion of our Board of Directors. We have consistently paid dividends each year since 2005, but the declaration, amount, and payment of dividends to our shareholders by us are subject to the discretion of our Board of Directors. Our Board of Directors takes into account general economic and business conditions, our strategic plans, our financial results and condition, any contractual, legal, and regulatory restrictions on our payment of dividends, and such other factors as our Board of Directors deems relevant to determining whether to declare dividends and the amount of such dividends. ITEM 2. PROPERTIES. Our principal executive office is located at 7250 Redwood Boulevard, Suite 200, Novato, California 94945, where we occupy approximately 13, 728 square feet and have the right to use all common areas. We also lease office space in Austin, Texas, Dallas, Texas, Boston, Massachusetts, and Chapel Hill, North Carolina. We consider these arrangements to be suitable and adequate for the management and operations of our business. We do not own any real property. ~~28~~ ITEM 3. LEGAL PROCEEDINGS. ~~None.~~ ITEM 4. MINE SAFETY DISCLOSURES. ~~Not applicable.~~ PART II ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES ~~Until October 18, 2021, our common stock traded on The Nasdaq Capital Market under the stock symbol "HNNA." On October 19, 2021, our common stock moved to and began trading on The Nasdaq Global Market, where it continues to trade under the stock symbol "HNNA." We have paid regular cash dividends to our shareholders and intend to continue to do so, although the declaration of a dividend is always subject to the discretion of our Board of Directors. As of the end of fiscal year 2022, we had 127 holders of record of our common stock. In addition, there were 47 brokerage firm accounts that represent 2, 055 additional individual shareholders for a total of 2, 182 shareholders. The equity compensation plan information required by Item 201 (d) of Regulation S-K is set forth in the "Equity Compensation Plan Information" subheading under Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."~~ PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS ~~During fiscal year 2022, we repurchased shares underlying vested restricted stock units ("RSUs") from employees to satisfy tax withholding obligations arising in connection with the vesting of RSUs. The stock repurchases are presented in the following table for the three months ended September 30, 2022:~~

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
(1) July 1-31, 2022	596,368	\$9.93	596,368	2,000,000
(2) August 1-31, 2022	8,731	\$9.93	8,731	2,000,000
(3) September 1-30, 2022	25,529	\$9.15	25,529	2,000,000
Total	34,260	\$9.35	34,260	2,000,000

~~(1) We are authorized to purchase a maximum of 2, 000, 000 shares under our stock buyback program. We announced the stock buyback program in August 2010, and the program has no expiration date. In August 2022, the Board of Directors increased the number of shares that may be repurchased under the stock buyback program by 500, 000 shares, to a total of 2, 000, 000 shares. We did not repurchase any shares pursuant to the stock buyback program during the three months ended September 30, 2022. (2) The shares that we repurchased in August and September 2022 are not subject to a maximum per plan or program because we did not repurchase them pursuant to a plan or program.~~ 29