



PARNASSUS FUNDS®

Parnassus FundSM

Parnassus Core Equity FundSM

Parnassus Endeavor FundSM

Parnassus Mid Cap FundSM

Parnassus Asia FundSM

Parnassus Fixed Income FundSM

PORTFOLIO MANAGEMENT EXECUTIVE TEAM

Jerome L. Dodson *President, Portfolio Manager*

Jerome L. Dodson is the Founder and President of Parnassus Investments. He is the lead Portfolio Manager of the Parnassus Fund and is the sole Portfolio Manager of the Parnassus Endeavor Fund and the Parnassus Asia Fund. Prior to founding Parnassus Investments in 1984, he served as President and Chief Executive Officer of Continental Savings of America from 1976 to 1982, where he started the "Solar T-Bill" program to finance solar energy installations and also developed innovative programs to finance low and moderate income housing. Mr. Dodson received his bachelor's degree in political science from the University of California, Berkeley and his master's degree in business administration from Harvard Business School.



Jerome L. Dodson
President,
Portfolio Manager

Todd C. Ahlsten *Chief Investment Officer, Portfolio Manager*

Todd C. Ahlsten is the Chief Investment Officer and the lead Portfolio Manager of the Parnassus Core Equity Fund. He joined Parnassus Investments in 1995 as a Research Analyst and was previously a Parnassus research intern. In 1998, Mr. Ahlsten was promoted to Director of Research and subsequently became Portfolio Manager of the Parnassus Core Equity Fund in 2001. He became Chief Investment Officer in 2008. Mr. Ahlsten received his bachelor's degree in business administration from the University of California, Berkeley with an emphasis in finance and accounting.



Todd C. Ahlsten
Chief Investment Officer,
Portfolio Manager

Benjamin E. Allen *Portfolio Manager*

Benjamin E. Allen is a Portfolio Manager of the Parnassus Core Equity Fund. He joined Parnassus Investments in 2005 as a Senior Research Analyst and was previously a Parnassus research intern. Prior to joining the firm, Mr. Allen worked at Morgan Stanley in New York, first as an Investment Banking Analyst and later in the firm's venture capital group. Raised in Massachusetts, he is an alumnus of the Boston Latin School. Mr. Allen graduated Phi Beta Kappa and magna cum laude from Georgetown University with a bachelor's degree in government, and completed the general course in philosophy at the London School of Economics. Mr. Allen received his master's degree in business administration from the University of California, Berkeley.



Benjamin E. Allen
Portfolio Manager



Dear Investor,

Our firm was founded in 1984 to help individual and institutional investors build wealth responsibly by investing in good businesses that trade at attractive valuations. While this philosophy sounds simple, following it consistently over time requires a great deal of discipline. Our portfolio managers and analysts have strong analytical skills and understand what drives a company's long-term prospects, while discounting unimportant factors. Over the years, we've developed a comprehensive investment process, which ensures that we remain true to our investment philosophy. This process dictates how we analyze a potential new investment and when we sell a current holding.

An important aspect of our approach is that we consider environmental, social and governance (ESG) factors when making investment decisions. When the firm was established in 1984, this was a unique and somewhat controversial idea. Back then, company management was surprised when we asked questions about how a firm treated its employees, how it handled diversity, how it minimized its environmental impact and if it participated in community relations and made charitable contributions. Today, most management teams are no longer surprised at these kinds of questions, and most companies are expected to concern themselves with corporate social responsibility and follow ethical business practices.

When we communicate to our shareholders, we hold ourselves to the same high standards for disclosure and honesty that we demand from our portfolio companies. In our written fund reports, we try to be clear and concise and tell investors exactly what happened—both the good and the bad. Shareholders tell us that when they read our reports, it's like having a conversation with a friend.

We appreciate that you've taken an interest in the Parnassus Funds, and we hope that this brochure will help you better understand how we invest.

Yours truly,

Jerome L. Dodson

Todd C. Ahlsten

Benjamin E. Allen



PARNASSUS OVERVIEW

Parnassus Investments was founded in 1984, and currently manages four fundamental, U.S., core equity strategies across multiple market capitalizations, one Asia Pacific equity strategy and one U.S., fixed-income strategy. The firm is an independent and employee-owned investment management company based in San Francisco, CA. Parnassus Investments seeks to invest in good businesses that have increasingly relevant products or services, sustainable competitive advantages, quality management teams and ethical business practices. We believe the most attractive investment opportunities arise when companies with good business fundamentals become temporarily undervalued. Our goal is to provide value to our shareholders by generating attractive risk-adjusted returns over the long-term.

INDEPENDENT THINKING

Financial markets can be volatile, and short-term market sentiment often causes economically strong companies to trade below what we think they're worth. Over time, however, business fundamentals win out, and eventually the values of companies are driven by how well their businesses perform. We follow a fundamental research process to identify companies that are trading below their intrinsic value. To find these opportunities, we think independently of the market's prevailing sentiment.

INVESTMENT TEAM

When building our investment team, we look for individuals with strong analytical skills and intellectual and personal integrity. We provide our investment team with an open environment and the resources they need to find great investments for our shareholders. Our portfolio managers and analysts embody our long-standing investment philosophy and thrive in our team-oriented culture.

INDEPENDENTLY OWNED

Parnassus Investments benefits greatly from independent ownership. Freedom from outside influences allows us to think independently, act on our convictions and always put our shareholders' interests first. We provide key employees the opportunity to become owners of the firm, which allows us to maintain a lasting team of quality people who can make great investment decisions.

INVESTMENT PHILOSOPHY

Our investment philosophy is to own good businesses at attractive valuations. We seek to invest in businesses that have increasingly relevant products or services, sustainable competitive advantages, quality management teams and ethical business practices. Once a company clears these gates, we perform a detailed valuation analysis to confirm that the investment will yield an attractive risk-adjusted return.

INVESTMENT PROCESS

We follow a company-specific investment process to evaluate the intrinsic value of the company based on the future relevancy of the company's products or services, its sustainable competitive advantages and management. Once we determine that a company's intrinsic value is increasing, we perform a detailed valuation analysis to understand the underlying fundamentals and economics of the company. This results in a three-year range of outcomes for the stock and an assessment of the risk of permanent loss of capital. We monitor a company's stock price until it falls to a level that generates an acceptable, risk-adjusted expected internal rate of return and initiate a position based on the expected return profile.

Portfolio management sets position sizes according to a proprietary "core" and "opportunistic" capital framework. All positions have a core component, which is based primarily on the risk of permanent loss of capital. For certain positions, opportunistic capital is invested on top of the core position. This approach allows us to take advantage of short-term volatility within our long-term holdings.

RISK MANAGEMENT

Risk management is a critical focus at Parnassus Investments. Risk is measured, monitored and controlled on an absolute basis. The primary source of risk management is at the individual security level, which includes a detailed analysis of the probability of the permanent loss of capital. There are diversification guidelines that provide an additional layer of risk management at the portfolio level.

SELL DISCIPLINE

We will sell out of a position entirely if we think a company's products or services will be less relevant in the future than they are now, or if there is significant deterioration in the company's sustainable competitive advantages, management or ESG factors. The investment team constantly monitors our investments to ensure that we have just as much discipline when we sell as when we buy.



GOOD BUSINESSES AT ATTRACTIVE VALUATIONS

We believe the most attractive investment opportunities arise when companies with good business fundamentals become temporarily undervalued.

GOOD BUSINESSES

We define a good business as one with a sustainable competitive advantage, above-average growth prospects and strong management. Having a sustainable competitive advantage enables a company to earn an attractive return on capital, which usually translates into increasing value for shareholders. To pass our growth test, a company's products or services must be more relevant in the economy five years from now than they are today. We believe a strong management team means more than just business acumen. It also means that the managers are trustworthy, and that their incentives are closely aligned with shareholders.

ATTRACTIVE VALUATIONS

We perform a detailed valuation analysis for each of our investments. This means building a revenue model, analyzing operating and financial leverage and forecasting capital requirements and cash flow. We know that accurately predicting the future is difficult, so our valuation discipline demands that we explore a wide range of possible outcomes. While our process is based on an expected three-year investment horizon, we also analyze the company's current market price relative to its earnings, cash flow and book value.

FUNDAMENTAL RESEARCH

To find good businesses at attractive valuations, our investment team conducts fundamental research. Our analysts and portfolio managers meet with various levels of company management and regularly conduct on-site visits. We also contact suppliers and customers to gain insight into what a company's partners are experiencing. This primary research is based on a well-defined and repeatable process, and is guided by our investment philosophy.

RESPONSIBLE INVESTMENT APPROACH

At Parnassus Investments, we follow a responsible investment approach to understand the full impact of a company. We carefully consider a company's environmental, social and governance (ESG) factors. This approach has been in place since the firm's founding in 1984. By incorporating ESG factors into our fundamental investment process, we can identify risks and opportunities that the market may have ignored, and identify responsible companies.

RESEARCH

ESG research at Parnassus Investments is dynamic, proprietary, and benchmarked against third-party sources. All members of the investment team consider ESG factors, and some team members are dedicated ESG analysts. ESG analysis is integral to the review and consideration process that each company undergoes as a new investment opportunity. Once invested, we regularly review the ESG factors of our portfolio companies throughout the year.

QUALITATIVE ANALYSIS

We seek to invest in companies with positive performance on ESG criteria. The ESG factors we evaluate include corporate governance and business ethics, employee benefits and corporate culture, stakeholder relations, product, customers and supply chain, and environmental impact.

EXCLUSIONARY SCREENS

Parnassus Investments applies exclusionary screens as part of our responsible investment approach. The spirit of these exclusionary screens is to avoid investment in companies with negative impacts that outweigh any potential benefits from their business activities. We do not invest in companies that derive significant revenue from the manufacture of alcohol products, tobacco products, or weapons, or companies that derive significant revenue from gambling, nuclear power or business involvement with Sudan.

EFFECTING POSITIVE CHANGE

We take into account ethical business practices and shareholders' interests when we vote our shares on corporate resolutions. The issues can range from executive compensation to environmental policy.

At Parnassus Investments, part of our responsible investment philosophy means investing back into our community. A portion of the Parnassus Funds' assets may be invested with community development financial institutions (CDFIs) that offer credit, capital, and financial services to individuals and organizations engaged in work that benefits low-income communities.



PARNASSUS FUNDS

We offer six funds suited for various investment objectives: five equity funds and one fixed-income fund.

PARNASSUS FUNDSM

TICKERS: [PARNX](#) & [PFPRX](#)

The Parnassus Fund is a diversified, fundamental, U.S., multi-cap, core equity fund. The Fund invests principally in undervalued equity securities of all market capitalizations companies. The Fund seeks to invest in good businesses with attractive valuations. The Fund avoids investing in companies engaged in the extraction, exploration, production, manufacturing or refining of fossil fuels; the Fund may invest in companies that use fossil fuel-based energy to power their operations or for other purposes. The Fund also takes environmental, social and governance factors into account in making investment decisions.

PARNASSUS CORE EQUITY FUNDSM

TICKERS: [PRBLX](#) & [PRILX](#)

The Parnassus Core Equity Fund is a diversified, fundamental, U.S., large-cap, core equity fund. The Fund invests principally in undervalued equity securities of large-capitalization companies. At least 75% of the Fund's total assets will normally be invested in equity securities that pay dividends. The remaining 25% may be invested in non-dividend-paying equity securities. The Fund also takes environmental, social and governance factors into account in making investment decisions.

PARNASSUS ENDEAVOR FUNDSM

TICKERS: [PARWX](#) & [PPWX](#)

The Parnassus Endeavor Fund is a diversified, fundamental, U.S., large-cap, core equity fund. The Fund invests principally in undervalued equity securities of large-capitalization companies with outstanding workplaces. Companies with good workplaces usually are able to recruit and retain better employees, and perform at a higher level than competitors in terms of innovation, productivity, customer loyalty and profitability. The Fund avoids investing in companies engaged in the extraction, exploration, production, manufacturing or refining of fossil fuels; the Fund may invest in companies that use fossil fuel-based energy to power their operations or for other purposes. The Fund also takes environmental, social and governance factors into account in making investment decisions.



PARNASSUS MID CAP FUNDSM

TICKERS: [PARMX](#) & [PFPMX](#)

The Parnassus Mid Cap Fund is a diversified, fundamental, U.S., mid-cap, core equity fund. The Fund invests principally in undervalued equity securities of medium-capitalization companies between that of the smallest and largest constituents of the Russell Midcap Index at the time of initial purchase. The Fund seeks to invest in good businesses with attractive valuations. The Fund also takes environmental, social and governance factors into account in making investment decisions.

PARNASSUS ASIA FUNDSM

TICKERS: [PAFSX](#) & [PFPSX](#)

The Parnassus Asia Fund is a diversified, fundamental, multi-cap, Asia Pacific equity fund. The Fund invests principally in undervalued equity securities of Asian companies of all-capitalizations. The Fund seeks to invest in good businesses with attractive valuations. The Fund also takes environmental, social and governance factors into account in making investment decisions.

PARNASSUS FIXED INCOME FUNDSM

TICKERS: [PRFIX](#) & [PFPLX](#)

The Parnassus Fixed Income Fund invests principally in investment-grade debt securities which can include U.S. government obligations, corporate bonds, mortgage backed securities and pools, and convertible bonds. Under normal circumstances, the Fund expects to maintain an overall dollar-weighted average effective duration comparable to the benchmark. Ordinarily, according to the Fund's Principal Investment Strategies, at least 65% of the Fund's total net assets will be invested at in fixed-income securities that are rated "A" or better by Moody's Investor Services, Inc. or Standard & Poor's Rating Group, and at least 80% will be invested at in fixed-income securities with investment-grade ratings (i.e. rated at least BBB- or Baa3 or better), or of similar economic quality. The Fund also takes environmental, social and governance factors into account in making investment decisions.



INVESTMENT RISKS

Investment risk is associated with all investments. Risks of investing in the Parnassus Fund, Parnassus Core Equity Fund, Parnassus Endeavor Fund, and Parnassus Mid Cap Fund: The Funds' share prices may change daily based on the value of their security holdings. Stock markets can be volatile, and stock values fluctuate in response to the asset levels of individual companies and in response to general U.S. and international market and economic conditions. Investing in stocks of small- and/or mid-cap companies may entail greater volatility and less liquidity than larger companies. Security holdings in the Funds can vary significantly from broad market indexes. Investments in the Parnassus Asia Fund are subject to the above risks, plus additional risks associated with foreign investments, such as increased market volatility, a lower level of government oversight in emerging markets, risks associated with focusing on a specific geographic region and exposure to fluctuations in foreign currencies.

Risks of investing in the Parnassus Fixed Income Fund: Bond prices are inversely related to interest rates. As interest rates drop, bond prices will increase, and as interest rates go up, the value of bonds will decrease. A security's value may also be affected by the possibility that issuers of debt obligations will not pay the Fund interest or principal, or that their credit rating may be downgraded by a ratings agency. In addition, up to 20% of the Fund's total net assets may be invested in securities that may not have an investment grade rating. This would make them riskier than securities with an investment-grade rating.

Security holdings in the Funds can vary significantly from broad market indexes.

Mutual fund investing involves risk, and loss of principal is possible.

Before investing, an investor should carefully consider the investment objectives, risks, charges and expenses of the Funds and should carefully read the prospectus or summary prospectus, which contains this information. A prospectus or summary prospectus can be obtained on the website, www.parnassus.com, or by calling (800) 999-3505.

The Parnassus Funds are underwritten and distributed by Parnassus Funds Distributor, a subsidiary of Parnassus Investments and a FINRA member.

INVESTING WITH THE PARNASSUS FUNDS

Individual investors can access the Parnassus Funds by either opening an account directly with the Funds, or purchasing the Funds through a broker-dealer, bank, adviser, insurance agent, retirement plan or other service provider. To open an account directly with Parnassus Funds, please visit www.parnassus.com and follow the instructions on the website, or call (800) 999-3505 and request an application.

Institutional investors can access the Parnassus Funds through a variety of institutional intermediaries and platforms. Corporate, public and Taft-Hartley plans, foundations and endowments, as well as healthcare, educational, religious and charitable organizations have been important clients of Parnassus Investments for over 25 years. We work closely with institutional consultants and advisers who introduce us to their clients, measure our performance, and help explain our philosophy and process. Please visit the **Institutional Investor** page on our website to locate the contact information for your representative.

Investors in the Parnassus Funds have access to quarterly account statements, quarterly Fund portfolios, commentary from our portfolio managers and the most recent quarter's performance via e-mail or mailed by request. This information can also be accessed on our website at any time.





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