PARNASSUS DIGEST

NOVEMBER 2014

Parnassus Endeavor Fund Insight

The Parnassus Endeavor Fund (PARWX) – one of the first thematic Environmental, Social, and Governance (ESG) funds in the U.S. – turns 10 in 2015. Portfolio Manager Jerome L. Dodson and Co-Founder of the Great Place to Work Institute Milton Moskowitz together proposed that companies with good workplaces could potentially outperform over time. This is what originally inspired the Fund's launch. In May 2014, a fossil fuel free screen was added to the strategy.

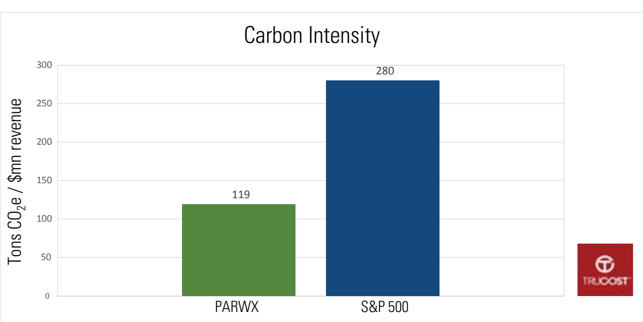
The Parnassus Endeavor Fund is an actively managed Fund with the objective of capital appreciation. An investor who made a $10,000 investment at inception of the Fund, on April 29, 2005, would have seen that appreciate to $28,021 over the last 9 years, ending September 30, 2014. The Fund's average annual return since inception, through September 30, 2014 was 11.56%, as compared to an average annual return of 8.07% for the S&P 500 Index.

Environmental, Social, and Governance (ESG) Evaluation

All the companies in the Parnassus Funds are evaluated on a broad set of ESG factors. We look at environmental, workplace, community, product, customer, and governance issues that are important to responsible investors. The Funds will not invest in companies that derive significant revenues from the manufacture of alcohol, tobacco or weapons, or have significant involvement in gambling, nuclear power, or Sudan. The companies included in the Parnassus Endeavor Fund are additionally screened for good workplaces, and their businesses must not be significantly involved in fossil fuels.

Impact of Going Fossil Free: Reduced Carbon Intensity

The Fund's "fossil free" designation means that it avoids investing in companies engaged in the extraction, exploration, production, manufacturing, or refining of fossil fuels. Partly due to this screen, the Endeavor Fund has a dramatically lower carbon intensity than the S&P 500.



Source: According to Trucost, a third-party firm specializing in natural capital measurement, portfolio carbon for the Parnassus Endeavor Fund, as of 6/30/2014, was 119 tons of carbon dioxide equivalent per million dollars in revenue, as compared to 280 for the S&P 500. This measurement incorporates the carbon impacts of the company's operations, its fuel use, and the emissions from the first tier in its supply chain. When a company does not report its own emissions, Trucost estimates them based on their knowledge of the industry and the company's business activities. Their accounting is based on the Greenhouse Gas Protocol, which is the most widely used international accounting tool for government and business leaders to understand, quantify, and manage greenhouse gas emissions.[1]

Focus on the Workplace

The Endeavor Fund was an innovation created by portfolio manager and founder of our firm, Jerome L. Dodson, and Milton Moskowitz, Co-Founder of the Great Place to Work Institute under the premise that companies with good workplaces could potentially outperform their peers over time. This focus on good workplaces remains an important part of the investment philosophy today.

Companies with good workplaces can differ in philosophy, benefits, and other practice areas. The workplace may be your local Whole Foods store, where the benefits include a "gainsharing" bonus, or a conflict-free diamond mine, where employees living on site are provided with virtually everything they need. In total, we calculate that the companies with good workplaces in the Fund represent approximately 2.4 million jobs, which include a wide variety of positions and work environments.

> "22 of the 35 companies in the Endeavor Fund have been recognized on the most recent versions of "Best" lists by independent third-parties, such as Fortune Magazine, Working Mother, Diversity Inc., Human Rights Campaign, Ethisphere and Newsweek."

The portfolio companies in the Parnassus Endeavor Fund have received positive accolades from independent third-parties. 22 of the 35 companies in the Endeavor Fund have been recognized on the most recent versions of "Best" lists by independent third-parties, such as Fortune Magazine, Working Mother, Diversity Inc., Human Rights Campaign, Ethisphere and Newsweek. The Endeavor Fund has six companies from the Fortune 100 Best Companies to Work For list (2014); six from the DiversityInc Top 50 Companies for Diversity list (2014); nine from the Working Mother 100 Best Companies list (2014); four from the Global 100 List (2014); five from the World's Most Ethical Companies (2014); and eight from the top 100 of the Newsweek Green Rankings (2014). While we make our own determination about the appropriateness of an investment for the Endeavor Fund, we appreciate this positive third-party recognition.

Workplace Attributes of Selected Portfolio Holdings

There is no such thing as a perfect company. However, companies can have positive impacts by providing good workplaces for their employees. Below are two examples of investments in the Parnassus Endeavor Fund. Like many in the Fund, these two companies report extensively on their corporate social responsibility, allowing investors to better understand and appreciate the companies.

Novartis: Committed to a Living Wage

Novartis has been recognized as one of the World's Best Multinational Workplaces,[2] and employs over 135,000 workers in 140 countries. Its improving employee diversity and global wellness initiatives are notable positives, as is its commitment to a living wage.

A living wage commitment matters because it significantly raises wages for workers, particularly in developing countries, where market-rate wages are much lower. Novartis established its living wage commitment to address the fact that "everyone who works has the right to just and favorable remuneration ensuring…an existence worthy of human dignity."[3] Advocates of a living wage contend that minimum wages don't do enough to assure basic needs, while adoption of living wage standards can contribute to stability and prosperity in communities and attract more skilled, productive, and loyal employees.[4] The practice instills pride in corporate operations, as stated by a Novartis Manager in Pakistan: "No other companies are doing this locally. When talking to government officials, I can proudly say that we pay several times above the minimum wage and that we are not just a profit making business."

Qualcomm: A Fortune "100 Best Company" for 15 Years
Qualcomm employs 31,000 workers globally and has the distinction of having been on Fortune's "100 Best Companies to Work For" every year since 2000.[5]

Besides noteworthy employee benefits like outdoor recreation centers and concerts, the company provides unique benefits, like partnering with a local YMCA to offer subsidized summer camp for the children of Qualcomm employees. The company is also a good place to work as an intern, as internships are paid, and can include housing and relocation packages.

The company's focus on its employees has practical benefits like employee engagement and loyalty. In a competitive industry where highly-skilled human capital is a necessity, the company's financial strength, opportunities for career growth, and reputation are the top three reasons employees stay at Qualcomm, according to the company's 2012 Social Responsibility Report. This loyalty is evidenced, at least in part, by the low 3.8% voluntary turnover rate.[6]

The Parnassus Endeavor Fund has done well over the years by investing in innovative companies that provide great workplaces for their employees. By no longer investing in companies engaged in the extraction, exploration, production, manufacturing or refining of fossil fuels, we aim to provide investors seeking to reduce their exposure to fossil fuels with a high quality, long term investment solution.

We thank you for your investment in the Parnassus Funds.

Maria Kamin
ESG Research Manager

About the Author

Maria Kamin
ESG Research Manager

Maria L. Kamin is the ESG Research Manager. Prior to joining Parnassus Investments in 2010, she was the Research Product Manager and a Sustainability Analyst at MSCI, Inc.; formerly KLD Research & Analytics, Inc. In 2008, Boston College recognized Ms. Kamin as a Sustainability Fellow in the Leadership for Change program. She received her bachelor's degree in political science from Tufts University, and a master's degree in Pacific international affairs from the University of California, San Diego.

Parnassus Endeavor Fund

Average Annual Total Returns (%) for periods ended September 30, 2014	One Year	Three Years	Five Years	Since Inception on 4/29/05	Gross Expense Ratio	Net Expense Ratio
Parnassus Endeavor Fund	20.33	26.09	16.30	11.56	1.07	0.95
S&P 500 Index	19.72	22.94	15.67	8.07	NA	NA

Performance data quoted represents past performance and is not indicative of future results. The Fund's current performance may be lower or higher than the performance data quoted. A Fund's investment return and principal value will fluctuate. Upon redemption, shares may be worth more or less than the original cost. Returns shown in the table do not reflect the deduction of taxes a shareholder may pay on fund distributions or redemption of shares.

The Standard & Poor's 500 Composite Stock Price Index (also known as the S&P 500) is an unmanaged index of common stocks and it is not possible to invest directly in an index. Index figures do not take any expenses, fees or taxes into account, but mutual fund returns do.

As described in the Fund's current prospectus dated May 1, 2014 (As Amended and Restated September 19, 2014), Parnassus Investments has contractually agreed to limit total operating expenses to 0.95% of net assets for the Fund. This agreement will not be terminated prior to May 1, 2015, and may be continued indefinitely by the Adviser on a year to year basis.

1. http://www.ghgprotocol.org/
2. http://www.greatplacetowork.com/best-companies/worlds-best-multinationals/the-list
3. http://www.novartis.com/corporate-responsibility/responsible-business-practices/caring-for-our-people/living-wage.shtml
4. http://www.novartis.com/downloads/corporate-responsibility/responsible-business-practices/living-wage.pdf
5. http://us.greatrated.com/qualcomm
6. https://www.qualcomm.com/media/documents/files/2013-qualcomm-sustainability-report.pdf

As of September 30, 2014, Novartis represented 2.2% of the Parnassus Endeavor Fund, 2.1% of the Parnassus Fund, and 2.3% of the Parnassus Core Equity Fund as a percentage of total net assets.

As of September 30, 2014, Qualcomm represented 3.7% of the Parnassus Endeavor Fund, 3.5% of the Parnassus Fund, 3.4% of the Parnassus Core Equity Fund, and 3.4% of the Parnassus Asia Fund as a percentage of total net assets.