

Parnassus Core Equity Fund

The strategy pursues strong long-term returns by owning a concentrated portfolio of high-quality U.S. large cap businesses that are available at attractive prices due to cyclical concerns or underappreciation of earnings potential.

KEY TAKEAWAYS

- The Fund (Investor Shares) returned 9.99% for the quarter, slightly underperforming the S&P 500 Index's 10.56%.
- Portfolio performance was primarily driven by negative stock selection in Communication Services as well as selection in Financials and Industrials.
- During the quarter, the Fund's underweight to Communication Services decreased as we initiated a new position in Verizon Communications, and our underweight in Health Care increased as we sold Gilead Sciences. We slightly increased our overweight in Information Technology by trimming Oracle and initiating two new positions in Micron and Broadcom.
- We are taking a balanced approach to portfolio positioning, neither overly offensive nor defensive, as the market seems increasingly confident in a soft landing.

Market Review

U.S. equities surged in the first quarter of 2024 as the economy continued to perform above expectations. In light of the economy's resilience, analysts tempered their projections for when interest rate cuts by the Federal Reserve might begin and how many cuts we will likely see. Consensus estimates for U.S. unemployment in 2024 dipped, while estimates for both GDP growth and inflation trended higher. Against this backdrop, the 10-year U.S. Treasury yield climbed from 3.88% to 4.21%. The net effect of this better-than-expected economy with slightly more support for inflation was the continuation of a stock rally, with the S&P 500 rising more than 10%. Communication Services, Energy and Information Technology outpaced their sector peers, while only Real Estate posted a negative return. The artificial intelligence (AI)-related momentum and optimism that characterized much of 2023's market activity continued in the quarter, especially within the Semiconductors industry.

Fund Facts	Investor Shares	Institutional Shares
Ticker	PRBLX	PRILX
Net Expense Ratio ¹	0.82%	0.61%
Gross Expense Ratio	0.85%	0.62%
Inception Date	08/31/1992	04/28/2006
Benchmark	S&P 500 Index	
Asset Class	U.S. large cap core	
Objective	Capital appreciation and current income	

Performance

As of 03/31/2024	Annualized Returns (%)				
	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
PRBLX - Investor Shares	9.99	27.78	10.02	14.80	12.61
PRILX - Institutional Shares	10.03	28.03	10.24	15.04	12.84
S&P 500 Index	10.56	29.88	11.49	15.05	12.96

Performance data quoted represent past performance and are no guarantee of future returns. Current performance may be lower or higher than the performance data quoted, and current performance information to the most recent month end is available on the Parnassus website (www.parnassus.com). Investment return and principal value will fluctuate, so an investor's shares, when redeemed, may be worth more or less than their original principal 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 S&P 500 Index 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. The estimated impact of individual stocks on the Fund's performance is provided by FactSet.

Performance Review

Slight underperformance resulting from stock selection

In the quarter ending March 31, 2024, the Fund returned 9.99% for the quarter, slightly underperforming the S&P 500 Index's 10.56%. From the sector perspective, positive stock selection in Information Technology and an underweight in Consumer Discretionary boosted relative performance, while weakness in some of our holdings in Communication Services, Financials and Industrials presented headwinds.

The Fund's top three relative contributors for the quarter—Apple, Oracle and Applied Materials—all came from the Information Technology sector. On the downside, Charter Communications led detractors, followed by Intel and Roche Holding.

Top Contributors

Apple struggled in the first quarter, meaning that our underweight position proved beneficial. Reports of declining iPhone sales in China and concerns over the company's product pipeline dampened investor sentiment. Antitrust actions by the U.S. and European Union governments regarding Apple's competitive practices also weighed on the stock.

Oracle reported quarterly financial results that exceeded consensus expectations, with a robust increase in sales for its cloud services and license support business standing out as a key contributor. Management reiterated the strength of demand for Oracle's cloud infrastructure, evidenced by major new contracts.

Applied Materials gained as a resurgent environment for semiconductor chip production improved sentiment around the stock. Major manufacturers have been increasing their investment in equipment to make chips that power Internet-connected devices and sensors, driving growth for Applied Materials.

Fiserv shares rose during the quarter. The company's fourth quarter and 2023 financial results showed that its commitment to innovating in the financial technology space continues to reap benefits. We consider Fiserv's electronic funds transfer and payment processing services poised for solid long-term growth.

AutoZone exceeded revenue and profit estimates, supported by an increase in same-store sales and the opening of new locations. Lower supply-chain expenses also helped profitability for the retailer of auto parts and accessories.

Bottom Contributors

Charter Communications reported weaker-than-expected subscriber additions in the quarter and disclosed significant exposure to the government-subsidized Affordable Connectivity Program. The stock underperformed as investors continue to worry about competition and potential subscriber losses if the subsidy is not renewed. We added to the position as we believe the near-term concerns are outweighed by Charter's attractive valuation and long-term free cash flow generation potential.

Intel reported strong results for the fourth quarter, but its outlook missed expectations. While demand for the company's CPUs may have temporarily weakened, we believe the market for Intel's AI chips will continue to grow and the long-term foundry opportunity is underappreciated.

Roche Holding released a lackluster outlook for 2024, following a year defined by falling demand for its COVID-19 products and cancer drugs. Roche's investments in its pipeline, including the acquisition of a company that makes diabetes and obesity drugs, provide reasons for optimism.

S&P Global ended the quarter down after reporting mixed results, with revenue growth topping expectations but earnings falling short. A modest outlook for 2024, attributed in part to uncertainty over potential interest rate cuts, further curbed sentiment.

Deere & Company detracted from relative performance despite posting a positive return. The stock plunged after the company downgraded its profit outlook for 2024, as lower crop prices limit farmers' ability to buy new equipment.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Apple	4.15	-10.82	0.52
Oracle	3.89	19.60	0.39
Applied Materials	2.25	27.46	0.29
Fiserv	2.68	20.31	0.23
AutoZone	2.18	21.89	0.22

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Charter Comm.	1.79	-25.23	-0.65
Intel	2.46	-11.84	-0.52
Roche Holding	1.91	-9.55	-0.42
S&P Global	2.52	-3.22	-0.32
Deere & Company	3.70	3.09	-0.28

Return calculations are gross of fees, time weighted and geometrically linked. Returns would be lower as a result of the deduction of fees.

Portfolio Positioning

Reduced Health Care exposure in favor of other sectors

The Fund's most significant overweights relative to the benchmark as of March 31, 2024, were in Financials, Materials and Information Technology, while its three largest underweights were in Consumer Discretionary, Health Care and Energy (a zero allocation for the Fund).

During the first quarter, the Fund's underweight in Health Care increased as we sold Gilead Sciences after lackluster performance. We found better opportunities available in the similarly low-volatility, defensive Real Estate and Communication Services sectors.

The Fund's exposure to Communication Services increased as we initiated a new position in Verizon Communications (funded partly by the Gilead exit) and increased our existing exposure to Charter Communications following weak performance. We consider both Verizon and Charter to be trading at attractive valuations. These moves reduced the Fund's underweight in Communication Services.

At the beginning of the quarter, the Fund had no exposure to Real Estate. That changed as we added Realty Income based on a valuation that has reoriented to the new higher-rate environment. While development expectations are down to self-funded levels, the business is resilient and presents attractive long-term growth prospects.

In the Information Technology sector, we added a position in Micron Technology, a memory provider entering a cyclical recovery supported by secular trends after a cyclical downturn. We also added shares of Broadcom, a semiconductor company benefiting from the adoption and proliferation of AI. The company has established itself as one of the leading providers of custom silicon products. Micron and Broadcom represent offensive exposure while the additions of Verizon and Realty Income bolster the Fund's defensive component.

We continue to look through the near-term noise and seek to own competitively advantaged, attractively priced businesses that we believe are positioned to outperform over the long term.

Outlook

A balanced approach underscoring risk neutrality

We continue to take a balanced approach to portfolio positioning as the market seems increasingly confident in a soft landing, where the economy moderates but doesn't enter a recession and inflation continues to trend lower over time. As such, we remain overweight in the competitively advantaged, increasingly relevant businesses we believe are positioned to outperform over the long term, while remaining disciplined on valuation.

We have decided not to shift to an overly offensive stance, due to the lack of compellingly priced risk we see in the market. However, we are not pivoting in an overly defensive direction either, given the multitude of supportive factors evident in the economic data and the fact that we continue to see strong demand, impending fiscal and monetary support in an election year and strong secular earnings growth drivers that we believe to be durable (for example, continued digitization and adoption of AI across sectors).

We expect macro volatility to continue in the near term as we see more data, but we remain focused on positioning the portfolio for success in the long term.

Portfolio Activity

Activity	Security Name	Ticker	Sector	Rationale
Bought	Micron Technology Inc.	MU	Information Technology	Micron has been negatively impacted by cyclical in the semiconductor industry. However, the company is poised for a rebound as the DRAM and NAND memory markets recover and as rising investment in AI fuels demand. We funded the purchase with the sale of Texas Instruments.
Bought	Verizon Communications Inc.	VZ	Communication Services	Verizon's competitive environment appears to be stabilizing after some challenging years. Meanwhile, the company's capital intensity is set to fall as it concludes a large 5G investment and its credit rating is poised to rise. The stock is a value play considering its low valuation against an attractive dividend yield and decent margin growth potential.
Bought	Realty Income Corp.	O	Real Estate	Realty Income demonstrated resiliency during the pandemic, offers a desirable dividend yield, and provides defensiveness in an environment with potentially lower rates. We were able to acquire the stock at an attractive valuation as the REIT sector suffered due to higher interest rates.
Bought	Broadcom Inc.	AVGO	Information Technology	Broadcom's pullback provided an excellent opportunity to access a superb collection of semiconductor and software businesses that can generate durable growth and cash flow. In addition, the company's strong position in AI accelerators, its acquisition of software provider VMware, and the anticipated cyclical upturn of its non-AI chip business are long-term growth drivers that will likely move the stock higher.
Sold	Canadian Pacific Kansas City Ltd.	CP	Industrials	Canadian Pacific, while growing, appears to be expensive relative to some of our other holdings that have lower valuations and higher long-term upside potential. We sold Canadian Pacific and reallocated capital to those opportunities.
Sold	Texas Instruments Inc.	TXN	Information Technology	Texas Instruments could face earnings disappointments and a muted outlook as the company digests high inventories across many of its business segments. In addition, the company is undergoing a major fabrication ("fab") investment cycle that is expected to add fixed costs.
Sold	Gilead Sciences, Inc.	GILD	Health Care	Gilead's recent trial setbacks have narrowed the company's path to grow its oncology segment, hence reducing the stock's intrinsic value and upside potential. Prior to our complete exit in February, we had been reducing our position in Gilead to fund our purchase of Verizon.

Sector Weights

As of 03/31/24

Sector	% of TNA	S&P 500
Information Technology	32.9	29.6
Communication Services	8.4	9.0
Industrials	9.1	8.7
Health Care	8.1	12.4
Financials	20.6	13.1
Consumer Staples	5.8	5.9
Materials	8.4	2.4
Real Estate	0.9	2.3
Consumer Discretionary	5.3	10.4
Energy	0.0	4.0
Utilities	0.0	2.2
Cash and Other	0.5	0.0

Ten Largest Holdings

As of 03/31/24

Security	% of TNA
Microsoft Corp.	6.7
Alphabet Inc., Class A	5.2
NVIDIA Corp.	4.9
Salesforce Inc.	4.6
Bank of America Corp.	3.9
Deere & Co.	3.8
Apple Inc.	3.7
Mastercard Inc., Class A	3.4
Ball Corp.	3.2
Intercontinental Exchange Inc.	3.0

Portfolio holdings are subject to change.

Portfolio Managers



Benjamin Allen

Chief Executive Officer,
Portfolio Manager

Experience: 25 years



Todd Ahlsten

Chief Investment Officer,
Portfolio Manager

Experience: 29 years



Andrew Choi

Portfolio Manager,
Senior Analyst

Experience: 12 years

Glossary

Earnings Growth is the change in an company's reported net income over a period of time.

Free Cash Flow (FCF) represents the cash a company can generate after accounting for capital expenditures needed to maintain or maximize its asset base.

Important Information

PIL-524880-2024-04-09

The Standard & Poor's 500 Composite Stock Price Index (the S&P 500 Index) is a widely recognized index of common stock prices. It is an unmanaged index of 500 common stocks primarily traded on the New York Stock Exchange, weighted by market capitalization. Index performance includes the reinvestment of dividends and capital gains. An individual cannot invest directly in an index. An index reflects no deductions for fees, expenses or taxes. The S&P 500 Index is a product of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by Parnassus Investments. Copyright © 2022 by S&P Dow Jones Indices LLC, a subsidiary of McGraw-Hill Financial, Inc., and/or its affiliates. All rights reserved. Redistribution, reproduction and/or photocopying in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. For more information on any of S&P Dow Jones Indices LLC's indices please visit www.spdji.com. S&P® is a registered trademark of Standard & Poor's Financial Services LLC and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions or interruptions of any index or the data included therein.

1. As described in the Fund's current prospectus dated May 1, 2023, Parnassus Investments has contractually agreed to reduce its investment advisory fee to the extent necessary to limit total operating expenses to 0.82% of net assets for the Parnassus Core Equity Fund (Investor Shares) and to 0.61% of net assets for the Parnassus Core Equity Fund (Institutional Shares). This agreement will not be terminated prior to May 1, 2024, and may be continued indefinitely by the investment adviser on a year-to-year basis. The net expense ratio is what investors pay.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) GUIDELINES: The Fund evaluates financially material ESG factors as part of the investment decision-making process, considering a range of impacts they may have on future revenues, expenses, assets, liabilities and overall risk. The Fund also utilizes active ownership to encourage more sustainable business policies and practices and greater ESG transparency. Active ownership strategies include proxy voting, dialogue with company management and sponsorship of shareholder resolutions, and public policy advocacy. There is no guarantee that the ESG strategy will be successful.

Mutual fund investing involves risk, and loss of principal is possible. The Fund's share price may change daily based on the value of its 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. In addition to large cap companies, the Fund may invest in small and/or mid cap companies, which can be more volatile than large cap firms. Security holdings in the fund can vary significantly from broad market indexes.

©2024 Parnassus Investments, LLC. All rights reserved. PARNASSUS, PARNASSUS INVESTMENTS and PARNASSUS FUNDS are federally registered trademarks of Parnassus Investments, LLC.

The Parnassus Funds are distributed by Parnassus Funds Distributor, LLC.

Before investing, an investor should carefully consider the investment objectives, risks, charges and expenses of a fund and should carefully read the prospectus or summary prospectus, which contain this and other information. The prospectus or summary prospectus can be found on the website, www.parnassus.com, or by calling (800) 999-3505.