

Parnassus Core Equity Fund

The strategy pursues long-term outperformance 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 -6.17% (net of fees) during the quarter, underperforming the S&P 500 Index's -4.33%.
- Our holdings in the Health Care sector hurt performance, along with a lack of exposure to the Energy and Utilities sectors. On the upside, holdings in the Industrials and Consumer Discretionary sectors buoyed relative results.
- We have not made any event-driven positioning shifts in response to the geopolitical conflicts in the Middle East as we continue to pursue downside mitigation while remaining open to compelling opportunities.
- We continuously review our position sizes and valuations in response to evolving risk/reward opportunities. We remain committed to our disciplined investment process, seeking increasingly relevant, competitively advantaged businesses at attractive valuations with the goal of creating enduring value for our investors.

Market Review

The S&P 500 Index faced a volatile first quarter, shaped by escalating geopolitical tensions and a spike in oil prices related to the conflict in Iran, which supported Energy and defense stocks. Despite the uncertainty, the macroeconomic backdrop has remained relatively strong, although tighter financial conditions weighed on economically sensitive stocks, even as economic growth and earnings expectations showed resilience. The narrative around artificial intelligence (AI) shifted toward concerns that potential disruption would impact the future value of many of the large, established players across tech and other industries. This also contributed to the market's decline in the first quarter. Within the S&P 500, the top sector performers were Energy, Materials and Utilities, while Financials, Information Technology and Consumer Discretionary performed the worst.

Fund Facts	Investor Shares	Institutional Shares
Ticker	PRBLX	PRILX
Net Expense Ratio ¹	0.81%	0.61%
Gross Expense Ratio	0.81%	0.61%
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

Annualized Returns (%)

As of 03/31/2026	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
PRBLX - Investor Shares	-6.17	7.37	12.99	8.49	12.31
PRILX - Institutional Shares	-6.13	7.60	13.22	8.72	12.55
S&P 500 Index	-4.33	17.80	18.32	12.06	14.16

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.

Quarterly Performance Review

Health Care holdings detracted

The Fund (Investor Shares) returned -6.17% (net of fees) during the quarter, underperforming the S&P 500 Index's -4.33%. Our holdings in the Health Care sector underperformed, and a lack of exposure to the Energy and Utilities sectors also detracted. On the upside, holdings in the Industrials and Consumer Discretionary sectors, and an overweight in Materials, buoyed relative results.

Top Quarterly Contributors

Deere advanced on expectations for an agricultural cycle recovery and continued adoption of precision agriculture technologies, with investors viewing the agricultural equipment business as both durable and future proofed.

Applied Materials, which supplies semiconductor manufacturing equipment, benefited from sustained demand tied to AI infrastructure build-out, as hyperscalers increased capital spending to support accelerating compute needs.

KLA outperformed along with its semiconductor peers, driven by strong demand for leading-edge chip manufacturing equipment to support the expanding adoption of AI technologies across industries.

Linde, a multinational provider of industrial gases, gained as investors favored companies with durable, hard-to-disrupt business models tied to both the global economy and semiconductor manufacturing.

Realty Income served as a defensive beneficiary amid geopolitical uncertainty in the quarter, as investors seeking stability turned to its long-term income-generating model from its real estate leases.

Bottom Quarterly Contributors

Boston Scientific, a leading medical device company, declined on concerns about increased competition for its main atrial fibrillation products and mixed clinical data, though we believe its long-term growth prospects remain intact.

Salesforce stock fell sharply as investor sentiment on software companies broadly weakened amid AI disruption concerns, despite the company's favorable sales figures and margin growth. We view Salesforce as well positioned to avoid AI disruption given its moats around data, platform and distribution incumbency.

Danaher, a maker of life sciences tools and diagnostics technology, lagged as biotechnology companies faced a variety of headwinds, including funding challenges and higher interest rates. We believe Danaher is positioned to benefit from a recovery in its markets for clinical research and personalized medicine, aided by AI discoveries.

S&P Global underperformed as uncertainty around the theoretical ease of replacing financial data providers with AI tools weighed on sentiment. We expect the company to remain an important player in its debt rating, data and risk management market segments.

Thermo Fisher Scientific, a global provider of pharmaceutical research instruments and services, declined alongside life sciences peers as investors remained cautious on the pace of end-market recovery, despite fundamentals tracking expectations.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Deere	4.12	21.34	0.85
Applied Materials	3.16	33.16	0.77
KLA	2.51	21.33	0.46
Linde	2.49	16.66	0.40
Realty Income	2.97	9.94	0.37

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Boston Scientific	2.08	-34.19	-0.66
Salesforce	1.53	-29.53	-0.41
Danaher	3.00	-16.99	-0.37
S&P Global	2.19	-18.42	-0.30
Thermo Fisher Scientific	2.51	-15.09	-0.25

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

Balancing AI opportunity and heightened risks with downside mitigation

We have not made any event-driven positioning shifts in response to the Middle East conflict. We continuously review our position sizes and valuations in response to evolving risk/reward opportunities, but we do not intend to compromise our long-term philosophy by adding Energy exposure in response to short-term performance pressure. The Fund's top sector overweights relative to the S&P 500 are in Industrials, Materials and Health Care, while the largest underweights are in Communication Services, along with Energy and Utilities (no exposure to either sector).

During the quarter, we made a number of targeted changes to better position the portfolio in light of evolving dynamics around AI. In particular, we are working toward a sense of equilibrium between holdings positioned to benefit from greater AI adoption and those with long-term growth prospects not dependent on AI. During the quarter, those efforts included terminating positions in ServiceNow and Workday due to uncertainty around how AI could affect the relevance of their products.

We continue to seek meaningful exposure to companies benefiting from AI-driven capital spending, particularly in semiconductors and semiconductor equipment. At the same time, we are looking beyond the semiconductor ecosystem to companies that are less likely to be disrupted. We took advantage of market volatility in the quarter to add companies whose networks and physical assets are difficult to replicate by AI. Namely, we added Old Dominion Freight Line and Vulcan Materials, which we expect will benefit from infrastructure spending trends and reshoring of industry. These businesses have durable competitive advantages and are less exposed to the types of disruption we are seeing in other sectors.

We remain disciplined about staying fully invested and focusing on high-quality companies that offer the potential for market upside and resilience in market downturns.

Outlook

Strong fundamentals amid unease in the market

The geopolitical shocks and AI-driven uncertainty have shifted the market dynamics in the first quarter. Given a strong earnings outlook but elevated geopolitical risks, the S&P 500's return stream will likely be more driven by earnings growth than multiple expansion in 2026. For the moment, the multiple-driven part of the earnings story is a bit contained. Rising oil prices are leading to a tightening of financial conditions, and the geopolitical risks are elevated, but we hope and expect they will be resolved in weeks, not months. We remain cautiously optimistic about the S&P 500 given a relatively strong earnings and macroeconomic backdrop.

U.S. companies have proven they can navigate extraordinary challenges—from the pandemic to inflation to geopolitical conflicts—while continuing to innovate and grow earnings. The AI investment cycle and adoption continue to accelerate as well. Technology companies have been deploying enormous capital to build the infrastructure required for the next generation of computing. Along with the increasing adoption of agentic AI, this investment wave remains one of the most important structural forces shaping the global economy.

The U.S. economy has also remained steady, even as gross domestic product growth and the labor market have been slowing recently. As the war in Iran drives energy prices higher, we are monitoring potential resurgence of inflation and its economic impacts should the conflict be prolonged. Yet we have continued to observe the economy demonstrate resilience. Additionally, while higher energy prices can temporarily tighten liquidity, we expect global liquidity to ease and remain a tailwind for the stock market in the long run.

Geopolitical uncertainty is capping valuation multiples, creating greater dispersion across sectors and companies. With less room for multiple expansion, companies must deliver durable cash flow and real productivity gains. We aim to invest in innovative, durable, cash-generative businesses poised to benefit from secular trends, remain resilient across cycles and compound underestimated long-term value. That said, right now, it's less about the stocks we own and more about the unease in the market.

Throughout changing conditions, we remain committed to our disciplined investment process, seeking increasingly relevant, competitively advantaged businesses at attractive valuations with the goal of creating enduring value for our investors.

Quarterly Portfolio Activity

Activity	Security Name	Ticker	Sector	Rationale
Bought	Old Dominion Freight Line, Inc.	ODFL	Industrials	Old Dominion has consistently outperformed peers by pairing superior service with disciplined pricing and steady reinvestment in its network, creating a virtuous cycle of share gains and attractive returns. Following a pullback in the stock, we believed the risk/reward opportunity had become compelling given the company's strong balance sheet, minimal leverage and long history of prudent capital allocation. Over time, we expect normalization in freight demand, industry consolidation and structural tailwinds such as nearshoring to support volume growth, margin expansion and continued value compounding.
Bought	Vulcan Materials Co.	VMC	Materials	Vulcan benefits from irreplaceable quarry locations, high barriers to entry and favorable positions in fast-growing regions, which together create local market advantages and resilient unit economics. Supported by ongoing public infrastructure investment, improving private construction activity and disciplined execution, Vulcan is well positioned to grow earnings and compound value across market cycles, in our view.
Sold	ServiceNow, Inc.	NOW	Information Technology	We exited our position in ServiceNow to bring the portfolio's software exposure closer to market weight. While we continue to see opportunities in the software space, uncertainty around software has risen. We trimmed this exposure and diversified the proceeds across a number of more defensive holdings in a range of industries and sectors in pursuit of a more balanced and risk-aware approach to software.
Sold	Workday, Inc., Class A	WDAY	Information Technology	We exited our position in Workday to bring the portfolio's software exposure closer to market weight. While we continue to see opportunities in the software space, uncertainty around software has risen. We trimmed this exposure and diversified the proceeds across a number of more defensive holdings in a range of industries and sectors in pursuit of a more balanced and risk-aware approach to software.
Sold	Brown & Brown	BRO	Financials	While Brown & Brown remains a high-quality business, we saw rising near-term risks as the company navigates an industry downturn, integrates a large acquisition and works to close an AI capability gap versus larger peers. We reallocated capital to Vulcan Materials, which offers a more compelling risk/reward profile, supported by its irreplaceable geological assets and long-term public infrastructure demand.

Sector Weights

As of 03/31/26

Sector	% of TNA	S&P 500
Communication Services	6.2	10.3
Consumer Discretionary	11.7	10.0
Consumer Staples	4.0	5.2
Energy	N/A	4.0
Financials	11.5	12.5
Health Care	12.3	9.5
Industrials	14.3	8.9
Information Technology	30.6	33.1
Materials	5.4	2.1
Real Estate	3.1	1.9
Utilities	N/A	2.5
Cash and Other	0.9	N/A

Ten Largest Holdings

As of 03/31/26

Security	% of TNA
Alphabet Inc., Class A	6.2
NVIDIA Corp.	6.1
Microsoft Corp.	5.5
Amazon.com Inc.	5.3
Apple Inc.	4.4
Waste Management Inc.	4.0
Deere & Co.	3.5
Applied Materials Inc.	3.4
Eli Lilly & Co.	3.2
Realty Income Corp.	3.1

Portfolio holdings are subject to change.

Portfolio Managers



Benjamin Allen

Chief Executive Officer,
Portfolio Manager
Experience: 26 years



Todd Ahlsten

Chief Investment Officer,
Portfolio Manager
Experience: 30 years



Andrew Choi

Director of Research,
Portfolio Manager
Experience: 13 years

Glossary

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

Allocation Effect: the allocation effect in performance attribution measures how much of a portfolio's outperformance or underperformance against a benchmark comes from the manager's decision to overweight or underweight specific sectors or asset classes, rather than from picking individual stocks within them.

Important Information

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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 April 28, 2025, as Amended and Restated September 22, 2025, Parnassus Investments has contractually agreed to reduce its investment advisory fee to the extent necessary to limit total operating expenses to 0.81% 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, 2026, 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 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.

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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.