

Parnassus Value Equity Fund

The strategy pursues strong risk-adjusted returns by owning a concentrated portfolio of U.S. large cap stocks that are poised to rise but are temporarily out of favor relative to their history or peers.

KEY TAKEAWAYS

- The Fund (Investor Shares) returned 7.28% (net of fees) for the quarter, underperforming the Russell 1000 Value Index's 9.43%.
- The Information Technology sector was the largest detractor, due to both stock selection and an overweight position.
- We added two new positions, UnitedHealth Group and Amazon. These are high-quality businesses facing short-term issues, which allowed us to purchase them at discounted valuations.
- We believe the Federal Reserve's dovish pivot raises prospects for the stock market rally to broaden beyond select megacap constituents. It also benefits value stocks, which are typically more sensitive to interest rates.

Market Review

U.S. equities advanced in the third quarter of 2024. Intraquarter, debates around the potential economic effects of monetary policy created volatility. With investors worried about slightly higher unemployment and slowing wage growth, stocks broadly sold off through much of July and into early August. For the remainder of the quarter, the market rebounded as inflation measures improved, the economy continued to show resilience and the Federal Reserve signaled its intention to pivot toward easing, later confirming the move with a 0.5% decrease in the federal funds rate. The 10-year Treasury began the quarter yielding just above 4.3% and ended it at 3.8%, underscoring the easing of financial conditions. Within the Russell 1000 Value Index, the Utilities, Real Estate and Consumer Discretionary sectors performed the best, while the Energy, Information Technology and Communication Services sectors were the weakest performers.

Fund Facts	Investor Shares	Institutional Shares
Ticker	PARWX	PPFWX
Net Expense Ratio ¹	0.88%	0.65%
Gross Expense Ratio	0.93%	0.72%
Inception Date	04/29/2005	04/30/2015
Benchmark	Russell 1000 Value Index	
Asset Class	U.S. large cap value	
Objective	Capital appreciation	

Performance

Annualized Returns (%)

As of 09/30/2024	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
PARWX - Investor Shares	7.28	28.39	6.63	15.41	13.22
PPFWX - Institutional Shares	7.33	28.68	6.87	15.65	13.45
Russell 1000 Value Index	9.43	27.76	9.03	10.69	9.23

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 Russell 1000 Value 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

Information Technology weighed on performance

The Fund returned 7.28% (net of fees), trailing the Russell 1000 Value's 9.43%. From a sector perspective, relative performance was buoyed by our lack of exposure to the Energy sector and stock selection in Consumer Discretionary. Stock selection and an overweight position in Information Technology detracted.

Year to date, the Fund returned 13.69% (net of fees), trailing the Russell 1000 Value's 16.68%. The largest sector contributor was Real Estate, due to stock selection. Conversely, stock selection in Health Care and Industrials detracted.

Top Contributors

D.R. Horton, a leading homebuilder, saw its shares rise amid confidence that more Americans would buy new homes in the lower-rate environment. Further, investors were impressed by the company's execution and its intention to deploy cash to a stock buyback.

CBRE Group, a commercial real estate services provider, gained on the prospect that lower interest rates will likely lead to greater real estate transactions. The company reported strong second-quarter financial results, including double-digit growth in its global workplace solutions business.

Oracle announced second-quarter results that exceeded consensus expectations, driven by growth in its cloud infrastructure business, which is benefiting from demand for AI applications. Investor sentiment was further bolstered by the company's announcement of a new partnership with Amazon.

Progressive continues to benefit from higher pricing for auto and home insurance, which is bolstering its underwriting results. The insurer reported solid results for its most recent quarter, with robust growth in personal auto policies.

Bank of New York Mellon posted better-than-expected second-quarter profit and revenue, driven in part by higher fees. Further, the Federal Reserve's interest rate cut is expected to reduce funding costs and improve BNY's margins.

Bottom Contributors

Intel reported disappointing financial results, depressing investor sentiment. It appears that the company's ability to reverse market share declines will take longer than we expected, so we trimmed the position to crystallize tax losses and offset gains in other names.

Micron Technology, a memory and storage solutions company, underperformed due to worries about weak demand from personal computers and smartphones segments. Given memory's importance to the development of AI and the growth of data centers, we believe Micron still has a strong runway for revenue growth and margin expansion.

Alphabet remained the subject of regulatory proceedings for alleged anticompetitive practices relating to its search business, worrying investors about the long-term implications for the company.

Charles Schwab's overall revenue and earnings for the second quarter of 2024 disappointed investors, weighing on its shares. However, revenue for the firm's asset management and trading segments met expectations.

Biogen shares have been pressured by the slow launch of the company's Alzheimer's drug, a novel treatment that requires extensive infrastructure buildup. We maintain confidence in the company's long-term prospects.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
D.R. Horton	3.07	35.59	0.61
CBRE Group	2.48	39.69	0.59
Oracle	3.20	21.02	0.29
Progressive	2.50	22.23	0.29
BNY Mellon	2.59	20.88	0.26

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Intel	1.71	-23.75	-0.66
Micron Technology	2.17	-21.08	-0.64
Alphabet Class A	2.43	-8.83	-0.49
Charles Schwab	2.18	-11.70	-0.43
Biogen	1.54	-16.38	-0.41

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

Portfolio additions reinforce quality bias

The Fund's largest overweights relative to the benchmark were in the Information Technology, Communication Services and Financials sectors, while the three largest underweights were in the Energy, Industrials and Consumer Staples sectors.

The Fund's overweight position in the Information Technology sector decreased as we trimmed our positions in several stocks. We dialed down our exposure to Intel as the company faces challenges in its foundry business and took profits in Oracle and Microsoft as their cloud businesses boomed.

The Fund's overweights in the Communication Services and Financials sectors decreased due to the sale of Charter Communications and American Express, respectively. We initially bought Charter earlier in the year when concerns around the expiration of a government subsidy severely depressed the stock. A meaningful rebound in Charter's stock price prompted us to exit the position at a gain. Similarly, we sold American Express at a profit after its stock reached full valuation.

We purchased two new stocks, UnitedHealth Group and Amazon. These are high-quality businesses facing temporary issues, which allowed us to purchase them at discounted valuations. The addition of UnitedHealth increases our small overweight to the Health Care sector, and the addition of Amazon takes the Fund from slightly underweight to slightly overweight the Consumer Discretionary sector.

Even as markets rally, we remain true to our disciplined investment process. Our bottom-up approach allows us to source new investment ideas and invest only when we find compelling relative valuations.

Outlook

Monetary easing could broaden stock rally, benefiting value stocks

U.S. indices ended the third quarter at all-time highs, driven by the Federal Reserve's first interest rate cut in over two years. The U.S. and other global central banks are now shifting priorities from taming inflation to maintaining current employment levels and enabling an economic soft landing. We believe the Federal Reserve's dovish pivot raises prospects for the stock market rally to broaden beyond select megacap constituents. It also benefits value stocks, which are typically more sensitive to interest rates.

Despite a favorable outlook for cost of capital, there are still several risks ahead that inform our balanced portfolio positioning. Generally elevated valuation levels after two years of strong double-digit returns reflect high investor expectations for future earnings growth. Moreover, the Federal Reserve is lowering rates because it sees growing risks for the broader economy from high rates and depletion of pandemic-era savings for U.S. consumers. Recent geopolitical events and the U.S. election are adding to this uncertainty.

However, we think this environment could create conditions for companies with more resilient fundamentals to outperform those that are less resilient to macroeconomic risks. A key focus of the Value Equity strategy's bottom-up investment process is to assess the resiliency of business models and invest when companies are trading at attractive valuations. Companies we hold in the portfolio today have exposure to thematic tailwinds, durable competitive positions, a history of operating profitably and sustainable business practices. Our recent portfolio additions exemplify this time-tested approach for generating attractive long-term returns through various market cycles.

Portfolio Activity

Activity	Security Name	Ticker	Sector	Rationale
Sold	American Express Co.	AXP	Financials	While American Express has performed well this year, its risk/reward profile is less appealing now as the company is fairly valued given the slowing prospects for consumer and corporate spending.
Sold	Charter Communications Inc.	CHTR	Communication Services	Charter Communications is facing stronger-than-anticipated competition from mobile network operators due to their plans to accelerate fixed wireless access (FWA) deployment and broadband investments. We recalibrated our risk/reward estimates and decided to exit the position for better opportunities elsewhere.

Portfolio Activity (Cont'd)

Activity	Security Name	Ticker	Sector	Rationale
Bought	UnitedHealth Group Inc.	UNH	Health Care	UnitedHealth benefits from secular tailwinds of an aging population, health care cost inflation and increasingly relevant use of health care data/analytics. It also commands industry leadership when it comes to its extensive assets, vertical integration and deep management bench. Even though the stock has underperformed in the past year, we believe many of those factors have been priced in, positioning it well for growth in the near term.
Bought	Amazon.com Inc.	AMZN	Consumer Discretionary	Amazon's hyperscale AWS business has the potential to accelerate revenue growth, while its retail business appears on track to improve margins in the coming years. A stock correction following the second-quarter results due to weaker consumer spending presented an opportunity to purchase the stock at a favorable valuation.

Sector Weights

As of 09/30/24

Sector	% of TNA	Russell 1000 Value
Information Technology	16.2	9.2
Communication Services	8.9	4.2
Industrials	9.4	14.5
Health Care	17.9	15.5
Financials	24.9	21.1
Consumer Staples	3.1	7.9
Materials	4.6	4.7
Real Estate	5.2	4.9
Consumer Discretionary	7.1	6.5
Energy	N/A	6.7
Utilities	1.7	4.8
Cash and Other	1.0	N/A

Ten Largest Holdings

As of 09/30/24

Security	% of TNA
Verizon Communications Inc.	3.6
S&P Global Inc.	3.5
Oracle Corp.	3.3
D.R. Horton Inc.	3.2
Sysco Corp.	3.1
Ball Corp.	3.1
Deere & Co.	2.9
CBRE Group Inc. Class A	2.8
Bank of America Corp.	2.8
Agilent Technologies Inc.	2.8

Holdings are subject to change.

Portfolio Managers



Billy Hwan, CPA, CFA

Portfolio Manager,
Senior Analyst

Experience: 23 years



Krishna Chintalapalli

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.

Important Information

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The Russell 1000® Value Index and the Standard & Poor's 500 Composite Stock Price Index (the S&P 500 Index) are widely recognized indices of common stock prices. The Russell 1000 Value Index is a market capitalization weighted index that measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth rates. The index is based on the performance of the largest publicly traded funds in the strategy group. The S&P 500 Index 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. Returns shown for the fund do not reflect the declaration of taxes a shareholder would pay on the fund distributions or the redemption of fund shares. 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 © 2023 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, 2024, Parnassus Investments has contractually agreed to reduce its investment advisory fee to the extent necessary to limit total operating expenses to 0.88% of net assets for the Parnassus Value Equity Fund (Investor Shares) and 0.65% of net assets for the Parnassus Value Equity Fund (Institutional Shares). This agreement will not be terminated prior to May 1, 2025, 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.