

# 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

- Parnassus Core Equity Fund (Investor Shares) returned -2.44% (net of fees) for the quarter, faring better than the S&P 500 Index's -4.27%.
- The Industrials and Financials sectors were top contributors to relative performance due to stock selection and overweight allocations, while a lack of exposure to Energy and stock selection in Communication Services detracted.
- The portfolio's largest weight is in the Information Technology sector, positioned in AI beneficiaries such as hyperscalers and semiconductor and software companies, followed by non-bank Financials. We are maintaining the largest overweights in Materials and Financials, while the largest underweights are in Communication Services and Energy.
- We continue to maintain a portfolio balanced between offense and defense, pursuing opportunities among high-quality resilient defensive stocks and adding strategically in other areas with secular growth potential. We are staying focused on fundamentals, our high standards for quality companies and a long-term perspective.

## Market Review

U.S. equities lost ground in the first quarter, marking a reversal from the robust gains of the previous quarter. After the new administration took office, post-election optimism regarding lower regulation and business-friendly policies gave way to the reality of uncertain fiscal and tariff policies creating volatility and sparking recession concerns. Investor sentiment shifted away from previous winners and growth-oriented stocks—including names focused on semiconductors and/or artificial intelligence (AI) innovation—and toward stocks perceived as defensive. A substantial decline in consumer sentiment also weighed on equity markets. The best sector performers in the S&P 500 Index were the Energy and Health Care sectors, while the Consumer Discretionary and Information Technology sectors performed the worst.

Fund Facts	Investor Shares	Institutional Shares
Ticker	PRBLX	PRILX
Net Expense Ratio <sup>1</sup>	0.82%	0.61%
Gross Expense Ratio	0.82%	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

### Annualized Returns (%)

As of 03/31/2025	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
PRBLX - Investor Shares	-2.44	5.13	7.65	16.94	11.83
PRILX - Institutional Shares	-2.40	5.34	7.87	17.18	12.06
S&P 500 Index	-4.27	8.25	9.06	18.59	12.50

**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](http://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

### Stock selection in Industrials and Financials boosted relative performance

The Fund (Investor Shares) returned -2.44% (net of fees) during the quarter, better than the S&P 500 Index's -4.27%. Stock selection in the Industrials and Financials sectors drove relative outperformance, and overweights in both sectors also contributed. Stock selection in the Consumer Discretionary sector—including not owning Tesla, which had a rocky quarter with weak results—was also beneficial. On the downside, the portfolio's lack of exposure to Energy and stock selection in Communication Services held back relative returns.

### Top Quarterly Contributors

**Waste Management**, along with other consumer-facing service companies, benefited from investors fleeing risk as uncertainty gripped the markets. The stock is viewed as defensive because its core business is relatively unaffected by an economic slowdown and tariffs.

**Intercontinental Exchange**, operating multiple commodity derivatives exchanges, gained from rising commodity prices and global volatility. The stock's performance also reflected a flight to safety by investors willing to pay more for earnings that offer a higher degree of visibility.

**AutoZone** shares advanced as recessionary concerns grew, given that consumers tend to seek inexpensive car repairs in economic downturns. Additionally, the prospect of tariffs on imported cars drove sales of used cars higher, expanding the potential market for auto maintenance.

**Deere & Company** stock gained as investors grew optimistic for a recovery in earnings amid signs of improvement in the market for agricultural equipment. Rising energy and commodity prices also buoyed the stock.

**Cigna Group**, a manager of health care plans, benefited from the market's perception that it is a more stable investment option than other health insurance companies in the current environment, given its minimal exposure to federal government spending and relatively low exposure to insurance risk.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Waste Management	3.71	15.15	0.64
Intercontinental Exchange	3.19	16.09	0.57
AutoZone	2.56	19.07	0.54
Deere & Company	3.84	11.16	0.51
Cigna Group	2.15	19.72	0.45

### Bottom Quarterly Contributors

**Salesforce** dipped along with those of many of its software peers, as concerns grew that IT budgets across industries for the coming year could be impacted by economic uncertainty around the economy.

**Amazon.com's** outsized spending on AI initiatives, given current IT budget uncertainty, has concerned investors. Macro concerns also weighed on the stock, including the prospect of worsened consumer sentiment leading to lower spending.

**Broadcom** shares declined as investors grew more pessimistic about the current cycle for chip makers and companies with revenue closely tied to spending on AI infrastructure.

**Marriott International** stock lost ground as economic uncertainty led to concerns about consumers limiting their travel plans, including hotel stays. Recent data released by airlines underscored those issues, weighing on the stock.

**Synopsys**, a provider of semiconductor design software, experienced a similar investor reaction as other semiconductor and technology-focused companies during the quarter, as tariffs, inflation and AI concerns weighed on sentiment.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Salesforce	2.53	-19.73	-0.32
Amazon.com	6.13	-13.28	-0.19
Broadcom	2.64	-27.56	-0.16
Marriott	1.59	-14.41	-0.15
Synopsys	1.71	-11.64	-0.15

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

### Maintaining our balanced positioning amid heightened volatility

The portfolio's largest overweights are in Materials and Financials, while its largest underweights are in Communication Services and Energy (no exposure).

We continue to maintain a portfolio positioning balanced between offense and defense and are not making significant changes to our positioning based on the changing government policy directives. Our defensive positioning paid off this quarter, supporting portfolio performance more favorable than the benchmark's.

We initiated two positions in the Information Technology sector during the quarter: Advanced Micro Devices, a manufacturer of semiconductor devices and electronic components, and ServiceNow, which provides software for automating enterprise workflows, after significant share-price drawdowns in both cases. As a result of these additions, our underweight in the sector lessened, and our positioning is closer to market weight. However, we also trimmed some Information Technology holdings, including Salesforce, Oracle and Applied Materials. We remain overweight in semiconductor and software stocks, and Information Technology remains the portfolio's largest absolute weight.

In the Communication Services sector, we increased the Fund's underweight versus the benchmark by selling Verizon Communications, as we see deteriorating fundamentals in the wireless business and found more attractive defensive exposure elsewhere. We also repositioned to increase our underweight in Consumer Discretionary by selling homebuilder D.R. Horton amid uncertainty and increasing risk to housing fundamentals.

Our overweight in the Financials sector grew as we added the insurance broker Brown & Brown. We believe the company is well positioned for strong returns across economic cycles. Our overweights within Financials continue to emphasize data and exchange companies and service-oriented businesses like insurance providers, which we prefer over banks.

We are not shying away from risk but remain mindful that proposed fiscal and trade policies are causing substantial volatility and uncertainty. In this environment, we are pursuing opportunities among high-quality resilient defensive stocks and adding strategically in other areas with secular growth potential.

## Outlook

### Amid uncertainty and volatility, we remain focused

The year started at peak optimism and ended the first quarter with significant uncertainty weighing on assets and consumer sentiment. The market continues to grapple with policy implications from the presidential administration, as tariffs and geopolitical conflicts have sparked inflation and growth fears.

We expect this uncertainty and the potential for further anti-growth policy to exacerbate market volatility in the coming months. We are also watching the deteriorating consumer sentiment for additional signals of broader macroeconomic concerns. Keep in mind that volatility is a stress test for portfolios. It exposes companies that have weaknesses or fragility, and not every company will be affected in the same way. Market volatility is also unsettling.

Our decades of investment experience through a variety of market conditions help us navigate this uncertain economy with confidence. We remain steadfast in our focus on company fundamentals and deep research to support our conviction in the holdings we select for our concentrated portfolios. In the face of uncertainty, we also continue to be optimistic about long-term opportunities in AI beneficiaries, such as the infrastructure providers, the hyperscalers and software companies that are building the computing foundation of the future.

We will continue to execute our investment process and seek opportunities to invest in increasingly relevant, competitively advantaged businesses at attractive valuations to deliver strong long-term returns.

## Quarterly Portfolio Activity

Activity	Security Name	Ticker	Sector	Rationale
Bought	Brown & Brown Inc.	BRO	Financials	Brown & Brown operates in the high-margin, capital-light mid-market insurance brokerage market while taking little underwriting risk. The company's scale and a strong record of mergers and acquisitions position it well for strong returns across economic cycles, including periods of high inflation and interest rates.
Bought	Advanced Micro Devices Inc.	AMD	Information Technology	AMD is a strong player in multiple end markets such as personal computers, servers, gaming, AI accelerators, etc. We took advantage of a share price decline to add AMD for the portfolio's AI theme and the adoption of accelerated computing for a potential rebound as its increasingly competitive GPUs and CPUs continue to take market share. The company has strong leadership under CEO Lisa Su.
Bought	ServiceNow Inc.	NOW	Information Technology	ServiceNow's product innovation and its ability to streamline and automate complex workflow across functions enable the company to sustain sales growth. Its wide moat, characterized by high switching costs and deep integration into critical enterprise functions, further cements the company's long-term competitiveness. Market selloffs provided an opportunity to access one of the highest-quality software companies that is reshaping enterprise operations worldwide.
Sold	Verizon Communications Inc.	VZ	Communication Services	Verizon has not performed as defensively as expected. Considering the competitive dynamics of the telecommunications industry, we have elected to reallocate capital towards other names with clearer defensive characteristics.
Sold	D.R. Horton Inc.	DHI	Consumer Discretionary	D.R. Horton's cycle risk is now more accurately priced in. Additionally, housing demand prospects in the areas where the company operates remain uncertain.

## Sector Weights

As of 03/31/25

Sector	% of TNA	S&P 500
Communication Services	4.1	9.2
Consumer Discretionary	9.8	10.4
Consumer Staples	3.1	6.0
Energy	0	3.7
Financials	18.6	14.6
Health Care	13.6	11.2
Industrials	11.6	8.4
Information Technology	29.4	29.7
Materials	6.2	2.0
Real Estate	3.1	2.2
Utilities	0	2.5
Cash and Other	0.5	0

## Ten Largest Holdings

As of 03/31/25

Security	% of TNA
Microsoft Corp.	6.8
Amazon.com	5.5
NVIDIA Corp.	4.6
Alphabet Inc., Class A	4.1
Waste Management Inc.	4.0
Deere & Company	4.0
Intercontinental Exchange Inc.	3.5
Mastercard Inc., Class A	3.2
Realty Income Corp.	3.1
Autozone Inc.	2.9

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**

Portfolio Manager,  
Senior Analyst

Experience: 13 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

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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](http://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 0.82% 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, 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](http://www.parnassus.com), or by calling (800) 999-3505.**