

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 0.28% (net of fees) for the quarter, underperforming the S&P 500 Index's 2.41%.
- The Information Technology and Health Care sectors were top contributors to relative performance, while Materials and Consumer Discretionary detracted.
- The portfolio's largest overweights are in Materials and Industrials, while its largest underweights are in Energy (no exposure) and Communication Services.
- We continue to see attractive opportunities across the Materials and Financials sectors while opportunistically taking advantage of volatility in Information Technology.

Market Review

U.S. equities advanced in the fourth quarter to close out a strong 2024. Following the U.S. presidential election, equities surged as investors anticipated business-friendly policies from the incoming administration. For the full year, investor interest in companies poised to capitalize on artificial intelligence (AI) remained a dominant theme. Continued strength in the U.S. economy also buoyed stocks, as did expectations for interest rate cuts by the Federal Reserve (Fed). The Fed reduced the federal funds rate by 0.25% twice during the quarter but indicated after its December meeting that it will likely cut rates in 2025 by half as much as previously anticipated. Stocks fell in response to the news, as higher interest rates can pressure valuations and challenge growth. The best sector performers in the S&P 500 Index were the Consumer Discretionary and Communication Services sectors, while the Materials and Health Care sectors performed the worst.

Fund Facts	Investor Shares	Institutional Shares
Ticker	PRBLX	PRILX
Net Expense Ratio ¹	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 12/31/2024	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
PRBLX - Investor Shares	0.28	18.52	6.42	13.25	12.02
PRILX - Institutional Shares	0.33	18.75	6.64	13.49	12.25
S&P 500 Index	2.41	25.02	8.94	14.53	13.10

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

Materials overweight weighed on relative performance

The Fund (Investor Shares) returned 0.28% (net of fees) during the quarter, underperforming the S&P 500 Index's 2.41%. An overweight to Materials, the worst-performing sector in the benchmark, held back relative returns. Stock selection in Financials and Consumer Discretionary also detracted. On the upside, stock selection in the Information Technology sector and an underweight in the Health Care sector buoyed relative performance.

Top Quarterly Contributors

Salesforce reported third-quarter results that exceeded analysts' expectations, as the integration of artificial intelligence (AI) technology across the customer relationship management software company's product offerings is driving robust growth in new deals.

Amazon posted better-than-expected quarterly earnings, lifting investor confidence in the e-commerce giant's ability to generate margin while continuing to invest into its large AI and retail end markets.

Fiserv reported solid third-quarter financial results and upgraded its forward guidance. We believe the payments processor and banking technology provider is well positioned for continued growth as more merchants and financial institutions become reliant on its platform.

Eli Lilly stock declined following worse-than-expected third-quarter results for its weight-loss drug segment. We initiated our position partway through the quarter, after the drawdown and in time for a partial rebound, and our average underweight for the quarter led to a relative contribution.

Broadcom shares gained as the chipmaker achieved record-high quarterly revenues driven by AI projects. News that the chipmaker is designing an AI server processor for Apple, in addition to custom chips it makes for other technology giants, further bolstered investor enthusiasm.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Salesforce, Inc.	3.86	22.29	0.63
Amazon.com	5.78	17.74	0.29
Fiserv, Inc.	2.72	14.34	0.27
Eli Lilly & Co.	0.74	5.79	0.26
Broadcom Inc.	2.39	34.74	0.21

Bottom Quarterly Contributors

Realty Income shares ended the quarter lower amid investor expectations for a continued higher-interest-rate environment, which is a headwind to the real estate investment trust's valuation and reinvestment opportunities.

Ball reported that third-quarter sales fell slightly year over year amid mixed demand for aluminum packaging, with end-market weakness in some regions. Despite these short-term headwinds, we anticipate a recovery in demand in the year to come.

Cigna Group stock declined amid regulatory concerns around its pharmacy benefits business and negative sentiment toward the health care sector more broadly during the quarter.

D.R. Horton, the nation's largest homebuilder, saw its shares decline as the market for new homes slowed against a backdrop of higher mortgage rates. As expectations for continued higher interest rates flared late in the quarter, investor sentiment on the housing sector worsened.

Linde exceeded consensus expectations with its latest quarterly earnings, but lower-than-expected full-year guidance weighed on its stock. The global industrial gas provider could see a short-term impact from tightening economic conditions in its major markets.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Realty Income Corp.	3.51	-14.66	-0.64
Ball Corp.	2.66	-18.56	-0.62
Cigna Group	2.18	-19.95	-0.49
D.R. Horton, Inc.	1.28	-26.53	-0.40
Linde PLC	2.72	-11.94	-0.35

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

2024 Annual Performance Review

Communication Services positioning curbed relative results

The Fund (Investor Shares) returned 18.52% (net of fees) for the year, underperforming the S&P 500 Index's 25.02%. Stock selection in the Financials and Communication Services sector held back relative returns, as did an overweight to Materials. Conversely, a lack of exposure to the Energy sector and underweights in the Consumer Discretionary and Health Care sectors buoyed relative performance.

Top Annual Contributors

Oracle stock posted its best annual performance since 1999 as the software giant gained market share in cloud-based training of generative AI models. Oracle Cloud Infrastructure is helping to reaccelerate growth as the company continues to execute well in capturing new deals.

Fiserv benefited in 2024 from growing demand for payments processing and fintech intermediaries, gaining traction with both merchants and financial institutions. Its quarterly results throughout the year reflected strong competitive positioning.

Amazon's shares experienced volatility throughout the year as IT spending and the company's margin structure came under scrutiny. Despite this, the stock outperformed as sentiment and results improved across both the overall environment for Amazon Web Services and the company's ability to show margin.

Broadcom gained on the strength of better-than-expected sales of AI chips and optimism on the revenue-generating potential of its wide-ranging AI initiatives. We continue to see upside in custom AI chips that Broadcom is well positioned to deliver.

Bank of America has benefited from diverse sources of strength, with significant growth in investment banking alongside resilient consumer banking growth. Following the November U.S. election, shares jumped on anticipation of favorable regulatory changes by the incoming administration.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Oracle Corp.	2.81	59.99	0.96
Fiserv, Inc.	2.57	54.64	0.62
Amazon.com	1.87	27.46	0.48
Broadcom Inc.	1.61	83.33	0.25
Bank of America Corp.	2.67	33.86	0.20

Bottom Annual Contributors

Intel shares declined as the chipmaker announced a major cost-cutting plan and reported disappointing financial results. We exited our position in the stock.

Ball, the global leader in aluminum packaging, experienced lackluster results as consumer spending on beverages tightened across key regions globally.

Cigna Group shares declined along with those of several other large health care providers and insurers amid speculation that the incoming Trump administration could implement reforms to pharmacy benefit managers, along with heightened public scrutiny over the sector's business practices.

Deere & Company endured an equipment demand downturn but finished the year with positive absolute performance. While the stock was a relative detractor for the reporting period, we remain confident in its long-term prospects.

CME Group, a leading global derivatives marketplace, advanced for the year but trailed the broader market's gains. Elevated market volatility drove higher trading volumes across asset classes, boosting revenues. However, concerns around competition and decelerating earnings growth weighed on the stock's valuation.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Intel Corp.	1.24	-59.46	-1.85
Ball Corp.	2.90	-2.97	-0.82
Cigna Group	2.33	-6.26	-0.70
Deere & Co.	3.58	7.54	-0.65
CME Group Inc.	1.87	10.71	-0.63

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

Market environment calls for balanced positioning

The portfolio's largest overweights are in Materials and Industrials, while its largest underweights are in Energy and Communication Services.

We continue to maintain a portfolio positioning balanced between offense and defense. Real rates moved higher in the fourth quarter as the 10-year Treasury yield increased by almost 0.80%. Despite this, the market's valuation is largely unchanged, as are earnings expectations for 2025. The market continues to anticipate a favorable environment for risk and economic growth, a backdrop that we believe warrants our balanced portfolio positioning.

We sold two positions in the Consumer Staples sector during the quarter, Sysco and Mondelez International. Sysco has not responded convincingly to its industry's competitive dynamics, while Mondelez faces idiosyncratic challenges to its financial outlook. In Financials, we sold CME Group, an operator of futures and derivatives exchanges that faces slowing growth and rising competition.

We also added several new positions, including two in Information Technology: Workday, a category leader for enterprise cloud applications for finance and human resources, and KLA, a leader in semiconductor process control.

In the Health Care sector, we added drugmaker Eli Lilly, which has an exceptional GLP-1 franchise and a strong track record of innovation, and Vertex Pharmaceuticals, a high-quality biotech company run by a strong management team. We also added Industrials sector holding Ferguson Enterprises, a leading distributor of plumbing supplies and construction equipment.

Quarterly Portfolio Activity

Activity	Security Name	Ticker	Sector	Rationale
Bought	Ferguson Enterprises Inc.	FERG	Industrials	Ferguson's highly efficient operations, extensive distribution networks and broad product offerings give the company clear leadership over smaller, local competitors. Ferguson's scale advantages are expected to increase as it consolidates the fragmented industry structure. Additionally, the structural tailwinds of aging infrastructure and housing shortages should support Ferguson's long-term organic growth. Led by a tenured management team with a strong track record, the company is well positioned going forward, we believe.
Bought	Eli Lilly & Co.	LLY	Health Care	Eli Lilly, the global pharmaceutical company, has an excellent GLP-1 franchise and a strong track record of innovation, which position the company for long-term growth. A rare revenue miss and President-elect Trump's health secretary nomination sparked a sell-off, providing a window of opportunity to gain exposure to the drugmaker's attractive product suite and pipeline at an attractive valuation.

Outlook

Fiscal policy and AI will likely drive 2025 returns

The market has begun to grapple with policy expectations from a new presidential administration. We expect the debate between expected and realized policy to be a persistent theme in 2025.

As we look into the year ahead, we expect the following factors, some of which carry forward from 2024, to be notable drivers of investment returns:

- The path and continuation of frontier AI model scaling, which expands the capabilities and complexity of AI applications
- Greater AI usage and workflow integration across consumer and enterprise businesses
- Fiscal policy moves (e.g., tariffs, immigration) by the new administration and Congress and the combined impact on inflation, economic growth and interest rates
- International markets experiencing growth recoveries (e.g., China, Europe, South America)

We remain focused on executing our investment process and maintaining exposure to increasingly relevant, competitively advantaged businesses at attractive valuations. We continue to see attractive opportunities across the Materials and Financials sectors while opportunistically taking advantage of volatility in Information Technology in our pursuit of strong long-term returns.

Quarterly Portfolio Activity (Cont'd)

Activity	Security Name	Ticker	Sector	Rationale
Bought	Workday Inc.	WDAY	Information Technology	Workday is a category leader for enterprise cloud applications for finance and human resources. We believe Workday's product stickiness and key initiatives such as its partnership with other service providers position the company well for incremental growth over the next few years.
Bought	KLA Corp.	KLAC	Information Technology	KLA, a leader in semiconductor process control, benefits from inherently high switching costs, structurally higher demand for advanced semiconductors and increasingly complex semiconductor manufacturing. The company has a strong management team that is positioning it well for long-term growth. Concerns about weaker demand in China have impacted KLA's stock price recently, but we believe the secular growth in other regions could offset the risk in the longer term.
Bought	Vertex Pharmaceuticals Inc.	VRTX	Health Care	Vertex is a high-quality biotech company run by a strong management team that has made a promising acquisition and advanced its diabetes pipeline. The developments gave us confidence that Vertex's innovative approach and high-quality management team will continue to achieve positive clinical outcomes and strengthen its competitive advantage.
Sold	Sysco Corp.	SYF	Consumer Staples	Sysco continues to operate in a challenging competitive environment. It has not yet shown signs of improved competitiveness, reducing its resiliency in times of economic downturns. We swapped our position in Sysco for Ferguson.
Sold	CME Group Inc.	CME	Financials	CME Group, a leading operator of futures and derivatives exchanges globally, faces slowing growth and rising competition. We reallocated our investment from CME to Eli Lilly in order to take advantage of the pharmaceutical maker's greater growth potential.
Sold	Mondelez International Inc.	MDLZ	Consumer Staples	Mondelez remains a quality company, though challenges such as higher cocoa prices are impacting its financial outlook. We reallocated capital to other holdings that offer superior return potential and similar defensive characteristics.

Sector Weights

As of 12/31/24

Sector	% of TNA	S&P 500
Information Technology	29.6	32.5
Communication Services	6.4	9.4
Industrials	11.2	8.1
Health Care	11.7	10.1
Financials	15.8	13.6
Consumer Staples	3.4	5.5
Materials	6.4	1.9
Real Estate	3.2	2.0
Consumer Discretionary	11.5	11.4
Energy	N/A	3.2
Utilities	N/A	2.3
Cash and Other	0.8	N/A

Ten Largest Holdings

As of 12/31/24

Security	% of TNA
Microsoft Corp.	6.5
Amazon.com Inc.	6.4
NVIDIA Corp.	5.9
Alphabet Inc., Class A	5.0
Deere & Co.	3.6
Waste Management Inc.	3.4
Mastercard, Inc., Class A	3.4
Realty Income Corp.	3.2
Broadcom Inc.	3.0
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: 30 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

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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 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, or by calling (800) 999-3505.