

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 -1.48% (net of fees) for the quarter, slightly outperforming the Russell 1000 Value Index's -1.98%.
- The Real Estate and Industrials sectors were the largest contributors to relative performance, due to favorable stock selection.
- We increased our overweight to the information Technology (IT) sector with the addition of Applied Materials, the world's largest supplier of wafer fabrication equipment for semiconductors.
- A continuation of the shift in investor sentiment toward more economically sensitive sectors could support a broadening of the stock market rally, especially in value stocks.

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. Continued strength in the U.S. economy and expectations for rate cuts by the Federal Reserve (Fed) also buoyed stocks. The Fed reduced the federal funds rate by 0.25% twice during the quarter but indicated in December that it will likely cut rates in 2025 by half as much as previously anticipated. Stocks fell in response to this news, as higher interest rates can pressure valuations. In the aggregate, growth stocks gained in the quarter, but value stocks declined amid higher interest rate expectations. Within the Russell 1000 Value Index, the best-performing sectors (and the only ones with positive returns) in the quarter were the Financials and Communication Services sectors, while the Materials and Health Care 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 12/31/2024	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
PARWX - Investor Shares	-1.48	12.01	3.15	12.89	12.25
PPFWX - Institutional Shares	-1.42	12.27	3.39	13.14	12.49
Russell 1000 Value Index	-1.98	14.37	5.63	8.69	8.49

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. The Parnassus Value Equity Fund - Institutional Shares were inceptioned on April 30, 2015. Performance shown prior to the inception of the Institutional Shares reflects the performance of the Parnassus Value Equity Fund - Investor Shares and includes expenses that are not applicable to and are higher than those of the Institutional Shares.

Quarterly Performance Review

Real Estate and Industrials holdings lifted relative performance

The Fund returned -1.48% (net of fees) during the quarter, better than the Russell 1000 Value's -1.98%. From a sector perspective, relative returns benefited from stock selection in the Real Estate and Industrials sectors. Stock selection and an overweight allocation in the Information Technology sector also helped. Conversely, stock selection in Consumer Discretionary detracted.

Top Quarterly Contributors

Broadcom shares gained as the chipmaker achieved record-high quarterly revenues driven by artificial intelligence (AI) projects. News that the chipmaker is designing an AI server processor for Apple bolstered investor enthusiasm.

Alphabet announced a major step forward for its Willow quantum computing chip, which aims to achieve computations exponentially faster than today's most powerful supercomputers. Investors optimistic about the chip's eventual real-world applications rewarded the stock. The demise of a rival of Alphabet's Waymo robotaxi further boosted sentiment.

Amazon posted better-than-expected quarterly earnings, lifting investor confidence in the e-commerce giant's ability to keep pace with Microsoft in the quest for AI innovation.

Charles Schwab stock gained after the company reported better-than-expected third-quarter results and raised its projections for full-year revenue. Investor concerns about customers moving cash out of transactional sweep accounts abated, given strong growth in sweep account balances.

Global Payments reported a drop in quarterly profits due to higher costs, but the stock rose on positive investor response to the company's announcement that it would sell its medical software business, AdvancedMD, to better focus on its core payment processing business.

Bottom Quarterly Contributors

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

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

Baxter International faced operational hurdles, including the impact of Hurricane Helene, which is expected to decrease sales by \$200 million in the fourth quarter. In November, Baxter announced a dividend cut from \$0.29 per share to \$0.17 per share, which caused a reduction in the share price.

Micron Technology reported strong quarterly results but issued guidance for the current quarter that fell short of analyst expectations, with management citing lower demand in the automotive and industrial markets.

Align Technology, the manufacturer of leading dental aligner Invisalign, released lower-than-expected third-quarter revenues amid a slowdown in consumer spending on dental expenses.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Broadcom Inc.	2.15	34.74	0.76
Alphabet Inc.	2.46	14.27	0.39
Amazon.com	2.04	17.74	0.37
Charles Schwab Corp.	2.51	14.58	0.30
Global Payments Inc.	2.60	9.65	0.29

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
D.R. Horton, Inc.	2.87	-26.53	-0.75
Ball Corp.	2.81	-18.56	-0.50
Baxter International	1.49	-22.82	-0.33
Micron Technology, Inc.	2.14	-18.65	-0.29
Align Technology, Inc.	1.46	-18.01	-0.26

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

Health Care selections curbed relative results

For calendar year 2024, the Fund returned 12.01% (net of fees), trailing the Russell 1000 Value's 14.37%. Stock selection in the Health Care sector notably weighed on relative performance. In contrast, strong stock selection in Real Estate boosted relative returns.

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. New and promising strategic partnerships include a deal with Meta Platforms to develop AI agents.

Broadcom gained on the strength of better-than-expected sales of AI chips to hyperscalers such as Google and Meta Platforms, as well as optimism on the revenue-generating potential of its wide-ranging AI initiatives generally.

Progressive continues to benefit from higher pricing for auto and home insurance, which is bolstering its underwriting results. An increase in investment income from higher interest rates further boosted sentiment.

Taiwan Semiconductor Manufacturing Co.'s leading position in AI chip production continued to boost investor sentiment on the stock. During the year, moves by several large technology companies to increase their AI investments underscored demand for TSMC's chips and supported the stock's rise.

Bank of New York Mellon benefited from the Fed's interest rate cuts during the year, which reduced funding costs and improved BNY's margins.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Oracle Corp.	3.11	59.99	1.14
Broadcom Inc.	0.95	62.40	1.05
Progressive Corp.	2.72	51.39	0.93
TSMC	1.53	92.01	0.82
BNY Mellon Corp.	2.70	51.87	0.79

Bottom Annual Contributors

Intel shares declined as the chipmaker announced a major cost-cutting plan and reported disappointing financial results.

Biogen shares were pressured by the slow launch of the company's Alzheimer's drug, a novel treatment that requires extensive infrastructure buildup. Given our concerns over uncertainty in the Alzheimer's market, we exited the position.

NICE stock fell due to concerns over its CEO's departure and fears that its contact center software could be replaced by generative AI. We believe the concerns are overblown and anticipate instead that the firm will integrate AI features successfully.

Align Technology posted financial results that fell short of consensus estimates. The company struggled with slower demand for its clear aligners, as budget- and inflation-conscious consumers reduced discretionary spending.

Global Payments stock fell on concerns that a slowing economy could weigh on payment processing companies. In addition, intensifying competition in the payments space and concerns over potential regulatory scrutiny of the industry weighed on investor confidence.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Intel Corp.	2.11	-59.56	-2.12
Biogen Inc.	1.33	-32.60	-0.87
NICE Ltd.	1.42	-24.41	-0.76
Align Technology	1.70	-23.90	-0.75
Global Payments Inc.	2.72	-10.97	-0.68

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

We increased our IT overweight while decreasing Financials exposure

Information Technology remains our largest overweight allocation relative to the benchmark, and it grew during the quarter with the addition of Applied Materials, one of the world's leading suppliers of wafer fabrication equipment for semiconductors. We expect the secular growth in high-performance computing applications like AI to continue, despite near-term cyclical softness in demand for PCs and smartphones.

In the Financials sector, we maintained our positions in select names that can benefit from stable to higher interest rates. Economic conditions have improved compared to last year, along with expectations for growth, given the favorable regulatory and tax regime suggested by the new administration.

In the Health Care sector, we gained access to industry-leading R&D teams and drug pipelines with AstraZeneca and added exposure to the blockbuster metabolic drug market with Ozempic maker Novo Nordisk.

In the Consumer Discretionary sector, we added a position in Airbnb, which has a consistent focus on profitability and a track record of customer-centric innovation. We also added Visa in the Financials sector. Its valuation is attractive relative to its history and its peers, given the high quality of its business and the shift from cash to digital payments.

We also exited several positions, including Materials holding Nutrien, which has faced pricing challenges, and Health Care stock Biogen, whose Alzheimer's drug, Leqembi, has underperformed expectations.

Companies we hold in the portfolio have exposure to thematic tailwinds, durable competitive positions, a history of operating profitably and sustainable business practices. Our portfolio additions exemplify this time-tested approach for generating attractive long-term returns through various market cycles.

Quarterly Portfolio Activity

Activity	Security Name	Ticker	Sector	Rationale
Bought	Airbnb Inc.	ABNB	Consumer Discretionary	Airbnb is the leading online marketplace for short-term and long-term homestay and vacation rentals. The company has a consistent focus on profitability, track record of customer-centric innovation, and strong cash flow generation. The platform's scalability and reinvestment in advertising, experiences and long-term stays present new avenues for growth. The cyclical softness in travel offered an opportunity to buy the stock and gain exposure to the long-term growth in travel and short-term rentals.

Outlook

Poised to take advantage of volatility and a broader rally

U.S. stocks outperformed most investor expectations this year. This robust performance was largely driven by the strong appreciation of technology stocks. Companies leveraging advancements in AI experienced remarkable share price increases. Broadcom's stock, for example, more than doubled as its custom chips and networking equipment became increasingly critical for AI infrastructure. Stocks also found support from anticipated Fed rate cuts.

Toward the end of the year, we saw a shift in investor sentiment toward more economically sensitive sectors. A continuation of this trend could support a broadening of the stock market rally, especially in value stocks, which tend to be more sensitive to interest rates. Recent volatility aside, we believe we could be entering a favorable period for equities. The new U.S. president has championed market-friendly policies, and the Fed has more flexibility to protect labor market stability now that inflation has peaked and is falling.

That said, several problematic factors could potentially impact equity markets in the near term. For one, inflation remains elevated versus pre-2021 levels, which could cause the Fed to pare back the scope of its likely 2025 rate cuts. In addition, the robust stock rally of recent years has resulted in historically high valuations, putting pressure on earnings expectations. From a geopolitical perspective, slowing growth across regions and conflicts in the Middle East and between Ukraine and Russia could create market instability.

Our long-term investment philosophy remains steadfast. By opportunistically allocating capital to undervalued opportunities, we are well positioned to capitalize on potential market volatility in the year ahead. Our balanced approach allows us to navigate complex market conditions while pursuing sustainable growth for our shareholders.

Quarterly Portfolio Activity (Cont'd)

Activity	Security Name	Ticker	Sector	Rationale
Bought	AstraZeneca PLC	AZN	Health Care	AstraZeneca's key strength lies in its robust internal research and development capabilities and extensive pipeline. Supported by strong global demand, the drug maker is well positioned for growth under the current CEO, who has demonstrated effective leadership in turning around the organization. A sell-off due to an investigation of the company's employees in China provided an opportunity to access AstraZeneca's diverse portfolio at an attractive valuation.
Bought	Novo Nordisk	NVO	Health Care	Novo Nordisk, a global leader in weight loss drugs, stands to benefit from the insatiable demand for weight loss drugs with its unmatched manufacturing scale. The company's market leadership, innovative pipeline and financial strength make it a compelling investment, especially after its stock price plunged following President-elect Trump's controversial health secretary nomination.
Bought	Applied Materials Inc.	AMAT	Information Technology	Applied Materials, a leading wafer fabrication equipment provider, is well positioned to outpace its competitors. The company's scale and innovation in materials engineering will become increasingly critical as semiconductor manufacturing technology progresses. We acquired the stock amid slow recovery of non-AI semiconductors, which we believe will improve as AI applications advance to the edge, thereby driving recovery in PCs and other consumer products.
Bought	Visa Inc.	V	Financials	Visa has an extensive global merchant network that enables the company to maintain low transaction fees and reinforce its leadership in the payments market. Visa's valuation is trading at historically attractive levels, given the high quality of its business and favorable trends such as the shift from cash to digital payments.
Sold	Nutrien Ltd.	NTR	Materials	Nutrien has been grappling with weak fertilizer prices and a challenging market environment. We sold Nutrien and reallocated the capital to Airbnb, where we saw a clearer path to growth.
Sold	Biogen Inc.	BIIB	Health Care	Biogen's launch of its Alzheimer's drug, Leqembi, has underperformed expectations. Given uncertainty in the Alzheimer's market, we felt Biogen's valuation was no longer attractive and redeployed the capital elsewhere.
Sold	The Walt Disney Co.	DIS	Communication Services	Disney's stock price has risen meaningfully since our acquisition in 2023. We believe its risk/reward profile is now less favorable and sold the stock to lock in gains.
Sold	Fidelity National Information Services Inc.	FIS	Financials	Fidelity's strong performance this year has made its valuation less attractive compared to alternatives we found in the market. Specifically, we sold our profitable position in Fidelity in favor of Visa for higher upside return potential.

Sector Weights

As of 12/31/24

Sector	% of TNA	Russell 1000 Value
Information Technology	16.6	9.4
Communication Services	7.2	4.4
Industrials	9.8	14.5
Health Care	18.4	14.2
Financials	25.6	23.1
Consumer Staples	3.2	7.9
Materials	2.6	4.2
Real Estate	5.7	4.6
Consumer Discretionary	8.7	6.4
Energy	N/A	6.7
Utilities	1.5	4.6
Cash and Other	0.7	N/A

Ten Largest Holdings

As of 12/31/24

Security	% of TNA
S&P Global Inc.	3.5
Bank of America Corp.	3.3
Sysco Corp.	3.2
CBRE Group Inc.	3.2
Deere & Co.	3.1
Verizon Communications Inc.	2.9
Mastercard Inc.	2.9
Broadcom Inc.	2.8
Alphabet Inc., Class A	2.8
Cummins 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

PIL-665554-2025-01-10

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.