

# 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

- Parnassus Value Equity Fund (Investor Shares) returned -1.98% (net of fees) for the quarter, underperforming the Russell 1000 Value Index's 2.14%.
- The Information Technology sector was the largest detractor from relative performance, due to both stock selection and our sector overweight, while stock selection and an underweight in Industrials lifted relative results.
- We are leveraging this period of uncertainty to gradually redeploy capital out of defensive names that have outperformed and into global market leaders with growing competitive moats.
- We believe this heightened period of uncertainty should favor resilient businesses with strong market positions and create bargain opportunities that can reward long-term, patient investors.

## Market Review

While U.S. equities broadly had a difficult quarter, value stocks posted a modest gain as measured by the Russell 1000 Value Index. After the new administration took office, post-election optimism regarding lower regulation and business-friendly policies gave way to the reality of restrictive fiscal policies and erratic tariff announcements creating uncertainty and recession fears. Volatility rose significantly, and investor sentiment shifted away from growth-oriented stocks—including many large technology names focused on semiconductors and/or artificial intelligence (AI) innovation—and towards stocks perceived as defensive. Against this risk-off backdrop, the best sector performers in the Russell 1000 Value Index were the Energy and Communication Services sectors, while the Information Technology and Consumer Discretionary sectors performed the worst.

Fund Facts	Investor Shares	Institutional Shares
Ticker	PARWX	PPWX
Net Expense Ratio <sup>1</sup>	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 03/31/2025	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
PARWX - Investor Shares	-1.98	-0.35	4.49	19.11	11.70
PPWX - Institutional Shares	-1.92	-0.11	4.73	19.38	11.95
Russell 1000 Value Index	2.14	7.18	6.64	16.15	8.79

**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 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 inception 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

### Information Technology holdings weighed on relative performance

The Fund returned -1.98% (net of fees) during the quarter, underperforming the Russell 1000 Value's 2.14%. From a sector perspective, stock selection and an overweight in the Information Technology sector reduced relative returns, as did stock selection in the Health Care sector. Conversely, relative results benefited from stock selection in the Industrials and Financials sectors.

### Top Quarterly Contributors

**Progressive** reported strong fourth-quarter financial results that showed particular strength in underwriting profitability and growth alongside effective cost controls. Notably, personal auto policies "in force" grew faster than expected in the quarter.

**Gilead Sciences** released quarterly earnings and revenues that exceeded consensus expectations, driven in part by strong sales for HIV treatment Biktarvy. High expectations for a summer 2025 launch of lenacapavir as an HIV prevention treatment following breakthrough clinical results also buoyed the stock.

**Verizon Communications**, which pays the highest dividend of any stock in the Dow Jones Industrial Index, drew investor interest in the quarter's risk-off, defensively focused environment.

**Deere & Company** stock gained as investors grew optimistic for a recovery in earnings amid signs of improvement in the sales cycle 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 safer 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.

### Bottom Quarterly Contributors

**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. We maintain our confidence in Broadcom's prospects for long-term growth as hyperscalers seek customized approaches to AI semiconductors.

**Bio-Rad Laboratories** shares fell during the quarter as investors reacted to multiple factors, including plans to reduce its workforce and declining sales in its Life Science division. A one-time issue around lower reimbursement from diabetes testing in China also pressured the stock.

**Alphabet** reported slower-than-expected growth for its cloud business, depressing sentiment on the stock. Concerns over capital spending on AI also played a role in the stock's decline.

**Agilent Technologies**, a supplier of equipment and software for life science research, relies substantially on academic and government end markets, so recent cuts to grants from the National Institutes of Health impacted its near-term outlook.

**Amazon.com's** outsized spending on AI initiatives caused concern among investors, given its potential to dent near-term profit margins. Macro concerns also weighed on the stock, including the prospect of worsened consumer sentiment leading to lower spending.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Progressive	2.42	20.42	0.39
Gilead Sciences	2.07	22.17	0.32
Verizon Comm.	3.04	15.46	0.30
Deere & Company	3.40	11.16	0.24
Cigna Group	1.71	19.72	0.23

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Broadcom	2.25	-27.56	-0.74
Bio-Rad Laboratories	1.98	-25.86	-0.62
Alphabet	2.32	-18.21	-0.46
Agilent Technologies	2.66	-12.92	-0.39
Amazon.com	2.28	-13.28	-0.37

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

### Reduced discretionary exposure and added to quality franchises

Information Technology, Financials and Health Care remain our top three sector overweights relative to the benchmark. Our overweight in Information Technology is tied to cloud and AI adoption, where we continue to expect secular growth despite near-term softness. The majority of our exposure in Financials is in non-credit lending institutions, which could prove more resilient during an economic slowdown, as evidenced during the quarter. While the Health Care sector is currently experiencing regulatory uncertainty, we believe aging demographics and rising health care spending in developing countries make the long-term risk-reward attractive in the sector.

During the quarter, we reduced our exposure to discretionary consumer spending with the exits of Ross Stores and Align Technology. Ross's same-store sales have plateaued as its low- and middle-income customers face significant financial pressures. Align's revenue growth missed expectations, suggesting intensifying competition from other clear aligner brands.

We are leveraging this period of uncertainty to gradually redeploy capital out of names that have outperformed, such as Verizon, Gilead Sciences, Progressive and Simon Property Group, and into global market leaders with growing competitive moats, such as Visa, JP Morgan and Advanced Micro Devices. The market sell-off provides cleaner positioning for a rebound in quality stocks.

Our positioning remains balanced between resilient and economically sensitive parts of the economy. We remain focused on opportunistically adding exposure to secular themes when we find bargains due to temporary reversals in investor sentiment. These areas of secular opportunity include obesity management, life science tools, managed care, AI, cloud, payments, e-commerce and transport infrastructure.

## Quarterly Portfolio Activity

Activity	Security Name	Ticker	Sector	Rationale
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.

## Outlook

### Focus on quality and valuation during this period of uncertainty

U.S. stocks suffered their worst first quarter since 2022 as sudden shifts in domestic regulatory priorities, government austerity and trade tensions widened the range of outcomes for the U.S. economy. After two consecutive years of double-digit returns, markets are now going through a period of adjustment as businesses and consumers evaluate an altered global macroeconomic landscape. The uncertain impact of tariffs on the prices of goods and services is also giving the Fed further pause on lowering interest rates. This is a notable change from market expectations at the time of U.S. elections last November. However, progress on the administration's priorities around tax cuts, deregulation and eventually lower rates could revive investor optimism.

We believe this period of heightened uncertainty should favor resilient businesses with strong market positions and create bargain opportunities that can reward long-term, patient investors. Roughly 90% of the Fund is invested in companies that have an economic moat, with roughly 60% invested in wide moat companies, as defined by Morningstar. These companies are likely to emerge stronger as they continue to invest to widen their competitive advantages.

Our fundamental bottom-up process involves ongoing assessment of downside risk and rotation of capital into companies that offer higher reward for lower risk. We focus on companies with durable competitive advantages and sustainable growth prospects, ensuring that our portfolio is well positioned to weather economic uncertainties. Our disciplined approach to investing in quality businesses at attractive valuations aims to deliver strong returns for our investors over the long term.

## Quarterly Portfolio Activity (Cont'd)

Activity	Security Name	Ticker	Sector	Rationale
Bought	JPMorgan Chase & Co.	JPM	Financials	JP Morgan's expertise across various business lines inherently results in high switching costs for clients, and its unmatched scale strengthens its position for strategic acquisitions. Despite economic uncertainty, the company's consumer banking and credit card franchises remain highly relevant, while its commercial and investment banking units exhibit resilience due to scale. The structural advantage and resilience make JP Morgan a formidable player in the financial services industry.
Sold	Align Technology Inc.	ALGN	Information Technology	Align has been struggling with slower demand for its orthodontic services as budget- and inflation-conscious consumers reduced discretionary spending. We redeployed the capital to other higher-conviction positions.
Sold	Ross Stores Inc.	ROST	Consumer Discretionary	We exited Ross due to growing uncertainty about the purchasing power of the low- and mid-income consumer amid weaker economic growth.

## Sector Weights

As of 03/31/25

Sector	% of TNA	Russell 1000 Value
Communication Services	6.8	4.5
Consumer Discretionary	6.4	6.0
Consumer Staples	3.4	8.1
Energy	0	7.1
Financials	28.3	23.2
Health Care	18.0	14.8
Industrials	10.6	13.8
Information Technology	15.8	8.9
Materials	2.7	4.2
Real Estate	5.6	4.5
Utilities	1.7	4.8
Cash and Other	0.8	0

## Ten Largest Holdings

As of 03/31/25

Security	% of TNA
S&P Global Inc.	3.8
Deere & Company	3.6
Sysco Corp.	3.4
Bank of America Corp.	3.4
Verizon Communications Inc.	3.3
Mastercard Inc., Class A	3.2
CBRE Group, Class A	3.1
BNY Mellon	2.8
Ball Corp.	2.7
The Progressive Corp.	2.6

Holdings are subject to change.

## Portfolio Managers



**Billy Hwan, CPA, CFA**

Portfolio Manager,  
Senior Analyst

Experience: 24 years



**Krishna Chintalapalli**

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.

## Important Information

PIL-718107-2025-04-09

The Russell 1000<sup>®</sup> 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](http://www.spdji.com). S&P<sup>®</sup> is a registered trademark of Standard & Poor's Financial Services LLC and Dow Jones<sup>®</sup> 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.

©2025 Parnassus Investments, LLC. All rights reserved. PARNASSUS, PARNASSUS INVESTMENTS and PARNASSUS FUNDS are federally registered trademarks of Parnassus Investments, LLC.

The Parnassus Funds are distributed by Parnassus Funds Distributor, LLC.

**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.**