

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

- The Fund (Investor Shares) returned 2.57% (net of fees) during the quarter, underperforming the S&P 500 Index's 8.12%.
- Risk-on sentiment hurt the relative performance of our Financials and Industrials holdings, while holdings in the Communication Services sector boosted relative results.
- We continue to maintain an overweight in defensive holdings to address ongoing volatility and uncertainty, while taking offensive positions in areas where our convictions are highest, such as artificial intelligence (AI) infrastructure, semiconductor, software and life sciences tools and services companies.
- We remain constructively bullish on U.S. equities based on the backdrop of stable economic growth, resilient corporate profits and the transformative potential of AI, while being mindful of risks associated with evolving economic, political and social dynamics.

Market Review

The S&P 500 Index advanced in the third quarter as investor optimism grew on expectations of monetary easing (confirmed by the Federal Reserve's (Fed's) September interest rate cut), resilient consumer demand and robust corporate earnings. Robust gains in growth-oriented sectors were driven in large part by positive investor sentiment toward companies all along the AI supply chain amid increasing investment in AI infrastructure, which contributed to increasingly narrow market breadth. Geopolitical and tariff risks played a more muted role in comparison to the beginning of the year, but those risks persist. Within the S&P 500, the Information Technology (IT) and Communication Services sectors were the strongest performers, reflecting the continuing importance of AI as a differentiator. Conversely, the Consumer Staples and Real Estate sectors were the weakest performers for the quarter as investors moved away from defensive names.

Fund Facts	Investor Shares	Institutional Shares
Ticker	PRBLX	PRILX
Net Expense Ratio ¹	0.81%	0.61%
Gross Expense Ratio	0.81%	0.61%
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 09/30/2025	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
PRBLX - Investor Shares	2.57	10.20	21.26	13.41	13.67
PRILX - Institutional Shares	2.63	10.42	21.51	13.65	13.91
S&P 500 Index	8.12	17.60	24.94	16.47	15.30

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.

Performance Review

Risk-on sentiment pressured defensive names

The Fund returned 2.57% (net of fees) during the quarter, underperforming the S&P 500 Index's 8.12%. Our Financials, Industrials and IT holdings curbed relative performance, while our holdings in Communication Services and an underweight allocation to Consumer Staples boosted relative returns.

For the year-to-date period, the Fund returned 9.89% (net of fees), underperforming the S&P 500's 14.83%. The Fund's holdings in the Financials and Industrials sectors weighed on relative results. Conversely, holdings in the Real Estate sector and a lack of exposure to Energy lifted relative performance.

Top Contributors

Alphabet, the parent company of Google, outperformed as a result of resilient search revenues, renewed confidence in the company's AI capabilities and evidence of strength in its cloud business, all of which boosted investor sentiment.

Thermo Fisher Scientific, a global provider of pharmaceutical research instruments and services, recovered from being oversold earlier in the year, aided by favorable financial results and guidance that exceeded muted expectations.

AutoZone continued to perform well as a defensive, countercyclical business. The auto parts retailer benefited as inflation pushed the cost of new vehicles higher and tariff uncertainty caused worries about impending price increases for parts.

KLA, which provides process control solutions for semiconductor manufacturing, benefited as investors rewarded critical players in the AI semiconductor supply chain amid rising expectations for AI-driven chip demand.

Oracle rallied on the back of major AI infrastructure deals, including a large contract with OpenAI, which reinforced its role as a key beneficiary of rising AI investment.

Bottom Contributors

Deere underperformed as investors realized that the current downturn in the market for agricultural equipment is likely to last longer than previously anticipated.

Fiserv stock declined due to idiosyncratic challenges, as the fintech and payment company announced significant changes in management and reported second-quarter revenues that fell short of analyst expectations.

Apple posted strong performance for the quarter, so the Fund's below-benchmark exposure made it a relative detractor. Lack of excitement around product cycles weighed on the stock earlier in the year, but investor confidence rose after Apple announced strong fiscal-third-quarter results, including higher-than-expected iPhone sales.

Intercontinental Exchange, the operator of the New York Stock Exchange, saw its shares fall as investors rotated out of defensive, lower-beta stocks that had benefited from investor enthusiasm earlier in the year. The company's fundamentals remain stable, in our view.

Brown & Brown faced headwinds from both its defensive profile in the risk-on environment and a softening in insurance pricing, which led to valuation pressure.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Alphabet	5.26	38.07	0.35
Thermo Fisher Scientific	2.52	19.73	0.23
AutoZone	2.81	15.57	0.19
KLA	1.50	20.67	0.18
Oracle	1.59	28.91	0.14

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Deere	3.84	-9.76	-0.68
Fiserv	1.67	-25.22	-0.62
Apple	2.23	24.25	-0.58
Intercontinental Exchange	3.28	-7.91	-0.52
Brown & Brown	1.71	-15.27	-0.45

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

Balancing a defensive tilt with strategic AI exposure

We continue to maintain an overweight in defensive holdings to address ongoing volatility and uncertainty, while taking offensive positions in areas where our convictions are highest.

Within our offensive positioning, we have taken advantage of market volatility to lean into secular trends through investing in AI beneficiaries including hyperscalers, semiconductors and attractive areas of software. The portfolio's largest absolute weight continues to be the IT sector.

On the defensive side, we have continued to maintain a bias toward higher-quality businesses that will likely remain resilient regardless of economic outcomes. This includes nonbank Financials such as data and exchange companies Intercontinental Exchange and S&P Global. The recent market dynamics haven't favored defensive stocks as the market concentration in the Magnificent 7 tech stocks continues to reach new heights. Yet, we maintain active weights in high-quality business services companies such as Waste Management and Brown & Brown and innovative Industrials companies such as Linde and Deere, whose business models, in aggregate, offer more consistent earnings in the face of potential market headwinds.

We made only a few substantial moves in the quarter. In the Health Care sector, we trimmed Eli Lilly and Stryker, using the proceeds to initiate a position in Boston Scientific, an innovative medical device maker with significant growth drivers. In the IT sector, we sold Intuit to lock in gains following outperformance, while adding to Salesforce and Workday, resulting in a slight trim to our overall software allocation but a focus on higher-conviction names. We also trimmed IT holdings Advanced Micro Devices and Broadcom, where valuations have trended higher, and reallocated assets to a new position in Industrials sector holding W.W. Grainger, a distributor of maintenance, repair and operating supplies.

We remain disciplined about staying fully invested and focusing on high-quality companies that offer the potential for market upside and resilience in market downturns.

Outlook

Bullish on U.S. equities while monitoring potentially disruptive risks

We are constructively bullish on the equity markets. The U.S. economy remains in stable growth mode and continues to produce jobs. Corporate profits are still relatively healthy. The AI buildout continues to exceed our expectations, led by U.S. companies that have invested the money and scaled the technology to drive this massive infrastructure transformation.

Against this backdrop, we are keeping a close eye on key risks in several areas, including the following:

- **Inflation**, which remains historically elevated. The Fed's move to cut interest rates should benefit stocks, but if rates end up too low and stimulate higher inflation, we could see the return of interest rate increases, which could pressure corporate earnings and consumer spending.
- **Fed independence**. A politicized central bank would damage credibility, threaten the dollar's reserve currency status and undermine confidence.
- **Social stability** helps ensure that businesses, health care organizations and educational institutions continue to offer people careers and opportunities to make a better life. Extreme and destabilizing political rhetoric could erode social stability and undermine consumer and business confidence.
- **AI monetization**. As investments in AI infrastructure continue to increase, investors need to see an even greater amount of monetization of AI spend and model scaling. The risk is that it will become overheated before the monetization gains momentum.
- **Rising power demand**, fueled by the expansion of AI data centers and a resurgence of manufacturing in the U.S., could push electricity prices higher and add inflationary pressure to businesses and consumers alike.

Additionally, we continue to monitor tariffs and geopolitical risks and expect continued volatility in this uncertain environment. Nevertheless, provided corporate earnings can continue to grow, the market should trend upward in the near term.

In light of these dynamics, 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. 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	Boston Scientific Corp.	BSX	Health Care	Boston Scientific's first-mover advantage, robust clinical data and deep relationships with physicians allow it to maintain dominant market share and outgrow competitors, with additional growth drivers like Watchman and Farapulse to help it expand rapidly in underpenetrated markets. Management, led by CEO Mike Mahoney, has transformed the company through disciplined R&D and M&A, driving organic sales growth and margin expansion. With consistent execution, expanding margins and global demand tailwinds, Boston Scientific is well positioned for durable growth.
Bought	W.W. Grainger Inc.	GWW	Industrials	Grainger's economies of scale, network effects, large SKU breadth and e-commerce platform enable same-day service and strong customer loyalty. Run by a management team with a proven track record of outperforming industry peers, Grainger is well positioned to benefit from trends like digitization, nearshoring and aging U.S. manufacturing assets.
Sold	Intuit Inc.	INTU	Information Technology	We sold Intuit after strong performance to lock in gains and shift capital to higher-conviction and more-defensive positions in the portfolio.

Sector Weights

As of 09/30/25

Sector	% of TNA	S&P 500
Communication Services	5.8	10.1
Consumer Discretionary	10.3	10.7
Consumer Staples	2.6	4.9
Energy	N/A	2.9
Financials	15.4	13.5
Health Care	12.4	8.9
Industrials	12.9	8.2
Information Technology	32.3	34.8
Materials	4.7	1.8
Real Estate	3.0	1.9
Utilities	N/A	2.3
Cash and Other	0.8	N/A

Ten Largest Holdings

As of 09/30/25

Security	% of TNA
NVIDIA Corp.	6.5
Microsoft Corp.	6.5
Amazon.com Inc.	5.8
Alphabet Inc., Class A	5.8
Deere & Co.	3.6
Waste Management Inc.	3.5
Danaher Corp.	3.2
Intercontinental Exchange Inc.	3.1
AutoZone Inc.	3.0
Mastercard Inc., Class A	3.0

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: 31 years



Andrew Choi

Portfolio Manager,
Senior Analyst

Experience: 13 years

Glossary

Earnings Growth is the change in a 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.

The **Magnificent Seven (mag 7)** stocks are a group of high-performing and influential companies in the U.S. stock market: Alphabet, Amazon, Apple, Broadcom, Meta Platforms, Microsoft, and NVIDIA.

Allocation Effect: measures the impact of asset allocation decisions on the active return. It reflects the difference between the portfolio weights and benchmark weights, multiplied by the benchmark returns.

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 April 28, 2025, as Amended and Restated September 22, 2025, Parnassus Investments has contractually agreed to reduce its investment advisory fee to the extent necessary to limit total operating expenses to 0.81% 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, 2026, 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.