

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 7.46% (net of fees) for the quarter, outperforming the Russell 1000 Value Index's 5.33%.
- The Fund's outperformance was primarily driven by our portfolio holdings in the Information Technology (IT) sector, partially offset by holdings in Materials and Health Care.
- During the third quarter, we used market strength to modestly reduce our portfolio weight in the IT sector to add to our overweight in the Health Care sector and initiate positions in the medical device space.
- We believe the current market environment, with stable economic growth, declining interest rates and high starting valuations, favors value stocks to outperform.

Market Review

After a strong second quarter, when markets recovered from the sell-off related to tariff announcements in April, the Russell 1000 Value Index markets continued to power higher, posting strong returns for the quarter. Investor sentiment was bolstered by the ongoing megatrend in artificial intelligence (AI), relatively stable economic data and solid corporate earnings. The Federal Reserve (Fed) cut interest rates for the first time in 2025, which offered another tailwind for the markets. Against this backdrop, the best-performing sectors in the Russell 1000 Value Index were Communication Services, Utilities and Consumer Discretionary, while the Consumer Staples sector ended the quarter with a slight loss.

Fund Facts	Investor Shares	Institutional Shares
Ticker	PARWX	PFPWX
Net Expense Ratio ¹	0.88%	0.65%
Gross Expense Ratio	0.91%	0.71%
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 09/30/2025	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
PARWX - Investor Shares	7.46	11.27	17.81	15.41	13.97
PFPWX - Institutional Shares	7.52	11.55	18.08	15.66	14.22
Russell 1000 Value Index	5.33	9.44	16.96	13.88	10.72

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 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.

Performance Review

Information Technology holdings boosted relative performance

The Fund returned 7.46% (net of fees) for the quarter, outperforming the Russell 1000 Value Index's 5.33%. The outperformance was notably driven by our IT holdings, many of which were long-term holdings in the portfolio, buoyed by positive sentiment toward the latest AI developments. The relative gains were offset partially by holdings in the Materials and Health Care sectors.

For the year-to-date period, the Fund returned 12.95% (net of fees), outperforming the Russell 1000 Value's 11.65%. The portfolio's holdings in IT boosted its relative performance, while holdings in Health Care and Industrials detracted.

Top Contributors

Western Digital, a leading data storage products maker, advanced after the company's strong quarterly results. The AI megatrend is fueling demand for high-capacity, cost-effective storage.

Cummins rallied after the engines and industrial equipment maker reported better-than-expected second-quarter results due to strong profitability in the distribution and power systems segment.

Oracle stock benefited from the firm's bullish outlook for its cloud services segment. The software and cloud infrastructure provider continues to benefit from the AI megatrend, signaling that cloud growth will accelerate.

Bank of New York Mellon, one of the largest custodians in the world, advanced amid strong earnings results. Revenue growth continues to outpace expense growth, driving solid operating leverage across the company.

Taiwan Semiconductor Manufacturing Company benefited from growing demand for AI chips and its dominant position as the leading-edge contract foundry.

Bottom Contributors

Deere stock underperformed due to the company's reduced full-year guidance, citing factors like lower grain prices impacting farmer spending, tariff uncertainty and cautious customer spending.

S&P Global stock fell as a weak earnings report from a competitor raised fears about a potential slowdown in client spending within the financial information and analytics industry.

Novo Nordisk shares declined after the company issued a profit warning amid rising competition in the obesity drug market. We maintain our conviction due to the company's long-term pipeline, with potential catalysts in its oral GLP-1 launch.

Ball, a supplier of aluminum packaging, fell as investors worried over narrowing profit margins due to the shift in consumer tastes away from alcoholic beverages.

NICE, a software company providing contact center solutions, lost investor confidence due to concerns over AI disruption. However, we believe that the company should see AI transform their business model and drive long term growth.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Western Digital	1.26	87.83	0.70
Cummins	2.69	29.61	0.54
Oracle	2.21	28.91	0.45
Bank of NY Mellon	3.22	20.22	0.41
TSMC	2.03	23.62	0.37

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Deere	3.57	-9.76	-0.51
S&P Global	3.73	-7.54	-0.43
Novo Nordisk	1.27	-18.99	-0.36
Ball	2.17	-9.76	-0.35
NICE	1.51	-14.29	-0.34

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

Rebalancing portfolio to take advantage of market opportunities

The portfolio continues to maintain its balanced, quality-anchored positioning between economically sensitive and defensive sectors. This results from our disciplined investment process, which pays equal attention to both risks and opportunities with the goal of delivering attractive risk-adjusted returns for long-term investors

Relative to the benchmark, our largest sector overweights are in the Financials, IT and Health Care sectors. The Fund's three largest sector underweights are Energy (no exposure), Consumer Discretionary and Consumer Staples.

In Financials, we maintain well-diversified exposure to both economically sensitive industries like banks and brokerages, as well as defensive ones like exchanges and insurance. The majority of our Financials exposure, however, is tied to companies that do not take significant lending risk and should fare relatively well if we see an economic downturn.

Within IT, we reduced our exposure modestly as many of our long-term holdings in the sector experienced solid price appreciation driven by growing investor optimism toward latest AI developments.

Within Health Care, we increased our overweight with the purchase of Abbott and Stryker to reinstate exposure to the medical devices space. We believe both Abbott and Stryker have durable top- and bottom-line drivers underpinned by new product launches that'll enable market share gains in several attractive end markets.

We increased our underweight in the Consumer Discretionary sector with the exit of Airbnb. We now have lower conviction in Airbnb's long-term thesis as noncore initiatives could create a structural drag on margins with the company's expansion outside its core vacation rentals market. We also swapped our housing subsector exposure with the sale of homebuilder D.R. Horton to purchase shares in Home Depot. We believe a combination of home equity wealth accumulation, mortgage lock-in effects and aging housing stock create multiyear tailwinds for home improvement companies.

Outlook

Elevated market valuations favor outperformance for value stocks

As we enter the fourth quarter, equity markets appear on track to deliver three consecutive years of double-digit returns. Resilient consumer spending, lower-than-expected impact from tariffs and robust investment in AI infrastructure continue to drive earnings growth for companies. Moreover, interest rate cuts and tax benefits from the One Big Beautiful Bill Act could further lower the likelihood of an imminent economic slowdown. While these tailwinds are real, equity valuations, by most measures, are also at all-time highs, leaving the current market rally susceptible to unexpected shocks.

We believe the current market environment favors value stocks to outperform. Stable economic growth, declining interest rates and high starting valuations for broad market indices create conditions for reasonably valued stocks to outperform those priced for higher earnings growth. While we cannot foretell the precise trajectory of economic growth, we remain steadfast in maintaining a margin of safety through our valuation discipline and investing in quality businesses that can thrive across a multitude of macroeconomic conditions. Integral to assessing both the valuation and quality of our investments is our bottom-up assessment of a company's competitive moat, relevancy or growth prospects, management competence and sustainability characteristics. Additionally, our long-term orientation allows the full benefits of the strategic choices that our portfolio companies are making to play out in business fundamentals and eventually be reflected in share prices.

This consistent approach anchored in quality, valuation and a long-term investment horizon has helped us deliver attractive returns for 20 years since the Fund's inception in 2005. We are confident that the collection of businesses we own in the portfolio today embodies this time-tested approach and positions us to continue delivering attractive returns in the years ahead.

Quarterly Portfolio Activity

Activity	Security Name	Ticker	Sector	Rationale
Bought	The Home Depot Inc.	HD	Consumer Discretionary	Home Depot's strong brand equity, scale-driven cost advantages and deep vendor relationships create a formidable barrier to entry in the fragmented home improvement market. The management team's strategic investments, particularly in the professional customer segment, are expected to further broaden the company's addressable market, which is already supported by the structural demand for renovation and repair.
Bought	Abbott Laboratories	ABT	Health Care	Abbott stands out for its durable growth potential driven by steady demand in areas like diabetes care, heart health and electrophysiology, all supported by ongoing innovation and new product launches. We also believe Abbott's diversified business model, global reach and leadership positions in key markets can provide resilient returns for long-term investors.
Bought	Stryker Corp.	SYK	Health Care	Stryker offers exposure to a high-quality, defensive compounder. While shares have underperformed recently, the company's durable growth runway is supported by a slate of new launches in its MedSurg business segment and expanding adoption of its robotics surgery platform in orthopedic procedures. We also expect continued progress on profitability under current CEO Kevin Lobo, who has a strong track record of leading successful innovations.
Sold	D.R. Horton Inc.	DHI	Consumer Discretionary	Our transition from D.R. Horton to Home Depot reflects our strategic reorientation from homebuilding to home improvement. Although both industries may benefit from declining interest rates, the home improvement industry is expected to provide better risk-adjusted returns even if rates stay elevated, supported by factors such as the mortgage lock-in effect and aging housing stock.
Sold	Airbnb Inc.	ABNB	Consumer Discretionary	We believe Airbnb's recent initiatives could create a structural drag on margins and are unlikely to generate meaningful revenue growth within our investment horizon. We have chosen to reallocate capital toward stocks in which we have higher conviction.

Sector Weights

As of 09/30/25

Sector	% of TNA	Russell 1000 Value
Communication Services	7.8	8.1
Consumer Discretionary	4.7	7.9
Consumer Staples	4.3	7.5
Energy	N/A	5.9
Financials	30.6	22.6
Health Care	16.4	11.7
Industrials	9.8	12.8
Information Technology	16.1	10.6
Materials	3.8	4.1
Real Estate	3.7	4.1
Utilities	2.3	4.5
Cash and Other	0.6	N/A

Ten Largest Holdings

As of 09/30/25

Security	% of TNA
CBRE Group Inc., Class A	3.7
Alphabet Inc., Class A	3.6
Bank of America Corp.	3.6
JPMorgan Chase & Co.	3.5
The Bank of New York Mellon Corp.	3.4
S&P Global Inc.	3.3
Deere & Co.	3.3
Mastercard Inc., Class A	3.1
Verizon Communications Inc.	2.8
Sysco Corp.	2.8

Holdings are subject to change.

Portfolio Manager



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.

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

PIL-816829-2025-10-09

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 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 0.88% 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, 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.