

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

- Parnassus Core Equity Fund (Investor Shares) returned 16.83% (net of fees) during the quarter, outperforming the S&P 500 Index's 15.20%.
- Our holdings in the Information Technology and Communication Services sectors buoyed performance, along with a lack of exposure to Energy. Holdings in the Financials and Health Care sectors weighed on relative results.
- We are positioning the portfolio to own the foundational infrastructure of the future, while owning quality compounders that we believe can hold up well in down markets and come out stronger on the other side.
- We remain constructively bullish on U.S. equity and continue to be selective, valuation-sensitive and focused on upgrading portfolio quality through active stock selection.

Market Review

The S&P 500 Index posted double-digit gains during the second quarter, a significant recovery from the negative returns of the first quarter. Performance was driven largely by increased confidence in the durability of the ongoing artificial intelligence (AI) infrastructure build-out. As the quarter began, the macroeconomic and geopolitical uncertainty that caused a first-quarter sell-off began to ease, prompting a sustained rally. Concerns around Federal Reserve (Fed) policy surfaced toward the end of June, as investors anticipated that higher interest rates could pressure consumers. Most sectors of the S&P 500 Index generated positive returns in the quarter. Information Technology and Industrials were the top performers, as AI build-outs benefited semiconductor and semiconductor equipment companies as well as businesses tied to electrification. The Energy sector posted losses as oil prices fell amid signs of progress toward a resolution of the Iran conflict, while the Utilities sector posted a slight decline.

Fund Facts	Investor Shares	Institutional Shares
Ticker	PRBLX	PRILX
Net Expense Ratio ¹	0.81%	0.61%
Gross Expense Ratio	0.85%	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 06/30/2026	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
PRBLX - Investor Shares	16.83	14.24	16.18	10.34	13.99
PRILX - Institutional Shares	16.88	14.46	16.41	10.56	14.23
S&P 500 Index	15.20	22.32	20.61	13.41	15.51

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

Information Technology holdings were top contributors

The Fund (Investor Shares) returned 16.83% (net of fees) during the quarter, outperforming the S&P 500 Index's 15.20%. Our holdings in the Information Technology and Communication Services sectors buoyed performance, along with a lack of exposure to Energy. Holdings in the Financials and Health Care sectors weighed on relative results.

For the year-to-date period, the Fund (Investor Shares) returned 9.62% (net of fees), underperforming the S&P 500's 10.21%. The Fund's holdings in the Health Care and Financials sectors hindered relative performance. Conversely, our holdings in the Information Technology and Communication Services sectors had a positive impact on relative results.

Top Contributors

Demand for AI infrastructure continued to climb, which buoyed the shares of the Fund's top three contributors:

- **Applied Materials**, a supplier of semiconductor manufacturing equipment,
- **Advanced Micro Devices (AMD)**, a leading semiconductor manufacturer, and
- **KLA**, which makes tools to inspect and control chip production quality.

We believe all three companies are well positioned to continue benefiting from increased AI adoption and data center buildouts.

DoorDash, the food delivery platform, is a new position initiated during the quarter. We bought the stock at a recent low, then it rebounded as geopolitical worries eased and gasoline prices fell, supporting driver economics, consumer willingness to spend on delivery and sentiment toward the business.

GE Vernova, another new position, had previously sold off significantly and reached a valuation that we found compelling. Shares of the energy equipment manufacturer gained on increasing confidence about the durability of AI supply chain power needs.

Bottom Contributors

Intercontinental Exchange shares came under pressure after U.S. regulators eased restrictions on perpetual futures—derivative contracts that let investors speculate on an asset's price movements without owning the asset, with no expiration date—which could present competitive challenges to established exchanges.

Waste Management stock declined after the environmental solutions provider reported mixed financial results for the first quarter, with earnings topping consensus estimates while revenues fell short. The defensive stock also did not fully participate in the broader market rally. We remain confident in Waste Management's long-term growth potential, given its strong competitive moat and dominant market position in landfill ownership.

Boston Scientific detracted after growth slowed in two of its key businesses—its electrophysiology franchise and Watchman heart implant for reducing stroke risk—amid growing competition and mixed clinical trial results. We exited the stock during the quarter.

AutoZone benefited in the previous quarter from tariffs and higher car prices, but as those effects faded, the stock did not keep pace with the broader market in the second quarter.

Realty Income posted a positive return for the quarter but lagged the broader market amid uncertainty around Fed interest rate policy and investor rotation out of defensive stocks such as REITS and into higher-growth areas.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Applied Materials	4.04	111.80	2.74
AMD	3.17	185.56	2.02
KLA	3.13	105.18	1.99
DoorDash	0.55	19.38	0.38
GE Vernova	0.30	24.96	0.31

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Intercontinental Exchange	2.57	-21.44	-1.02
Waste Management	3.48	-2.59	-0.68
Boston Scientific	1.07	-21.98	-0.56
AutoZone	2.21	-5.38	-0.49
Realty Income	2.74	2.60	-0.38

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

Focused on the infrastructure of the future

We continue to maintain a portfolio positioning balanced between offense and defense, with 40% offensive positions allocated toward companies where we have a strong belief their AI positions will prevail and 60% defensive positions in potentially resilient compounders that we think can absorb a bear market correction and come out stronger over the next one to three years. Our goal is to own companies with real earnings power at sensible prices. We aim to be diversified enough to compound value through both enthusiasm and disappointment in the AI cycle. If AI overcorrects, we don't want the portfolio to be hostage to that theme.

The Fund's top sector overweights relative to the S&P 500 are in Industrials, Materials and Consumer Discretionary, while the largest underweights are in Communication Services, Information Technology and Energy (no exposure).

We are positioning the portfolio to own the foundational infrastructure of the future. This investment theme encompasses hyperscalers with cloud computing platforms that let organizations build, run, store and manage applications and data without owning all of the underlying hardware, as well as semiconductor and energy infrastructure companies supporting the data center build-out. The portfolio is also overweight in companies specializing in industrial automation and physical assets. We also like companies driving innovation in the Health Care sector.

Among the new positions initiated in the portfolio during the quarter, DoorDash represented an attractive opportunity following a sharp decline in its share price. The company combines a leading market position with multiple avenues for long-term growth, which we believe are not fully reflected in its valuation. We used the near-term concerns around reinvestment and margin to initiate a position. We also purchased GE Vernova and Hubbell, which offer exposure to electrical infrastructure tied to growing AI-driven power demand.

We exited medical device maker Boston Scientific after the competitive outlook for some of its products worsened. We also sold Verisk Analytics and Salesforce, reallocating assets toward opportunities that we believe have stronger long-term potential.

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

Balancing optimism and caution in the AI revolution

While we are more cautious now than we were in January, we remain constructively bullish. The fact that so much of the market return and earnings growth has been concentrated in a narrow group of companies calls for caution. The market's heightened concentration makes participating far more challenging than the headline index returns suggest, particularly for active managers who seek quality companies across a broader opportunity set.

Market breadth this year has been the narrowest we've seen since 1999. Unlike the dot-com bubble, which was a valuation frenzy around unproven business models, we view AI as more disruptive since it could become the platform running companies rather than just changing how we communicate.

We view the macro backdrop as a tug-of-war with AI capital expenditures and exceptional earnings from a handful of companies pulling one way, while pulling the other way are renewed trade tensions with China, inflation and Middle East-driven oil prices squeezing consumers (especially lower-income households). AI appears to be winning for now, but if that side lets up, things could go tumbling. We are also closely watching the IPO from Space Exploration Technologies and the anticipated listings from OpenAI and Anthropic and their impacts on benchmark indexes.

Despite unprecedented levels of capital investment being made in AI infrastructure, U.S. equities have been buoyed by earnings expansion. First-quarter earnings grew significantly higher than expected, and estimates for the full year project a level of growth we've seen only four times in the past 25 years, with each prior instance following a recession or pandemic shock. This time, earnings are surging amid a carousel of factors that would normally exert pressure—the Iran War, high oil prices, persistent inflation and higher-than-expected interest rates.

Against this backdrop, U.S. exceptionalism remains a core pillar of our investment framework. American companies have wider moats, deeper R&D investment and bigger addressable markets than their international peers. Corporate America's capacity to adapt, innovate and generate cash continues to set the standard globally.

We continue to be selective, valuation-sensitive and focused on upgrading portfolio quality through active stock selection. We remain committed to our disciplined investment process, seeking increasingly relevant, competitively advantaged businesses at attractive valuations with the goal of creating enduring value for our investors.

Quarterly Portfolio Activity

Activity	Security Name	Ticker	Sector	Rationale
Bought	DoorDash Inc.	DASH	Consumer Discretionary	DoorDash is the clear leader in U.S. food delivery and is expanding beyond restaurants into grocery, convenience, retail and international markets, increasing its opportunity set over time. While investors have recently focused on near-term spending and profitability pressures, we believe these investments can strengthen the company's competitive position and support future earnings growth. In our view, DoorDash's market leadership, growing network scale and multiple avenues for monetization provide an attractive risk/reward opportunity for long-term investors.
Bought	Hubbell Inc.	HUBB	Industrials	Hubbell, as a leading provider of utility equipment, serves a critical role in helping utilities modernize and expand their networks, supported by a strong market position, a broad product portfolio and a history of successful acquisitions. We believe the company is well positioned to benefit from growing investment in the U.S. electrical grid and the rising demand for power driven by electrification and AI-related infrastructure needs.
Bought	GE Vernova Inc.	GEV	Industrials	GE Vernova provides exposure to the growing demand for power infrastructure driven by AI adoption, electrification and grid modernization. As a leading provider of gas turbines and grid equipment, GE Vernova operates in supply-constrained markets with strong long-term demand and attractive growth prospects. We believe its improving earnings profile, durable competitive position and exposure to the build-out of AI-related energy infrastructure offer an attractive risk-reward opportunity, particularly following a pullback in the stock price.
Sold	Boston Scientific Corp.	BSX	Health Care	We exited Boston Scientific as the competitive environment evolved more quickly than anticipated. Growth in key franchises—particularly Farapulse and Watchman—slowed due to earlier-than-expected competitive pressures and mixed clinical trial outcomes. While market share may stabilize over time, reduced visibility into a near-term reacceleration led us to reallocate capital toward higher-conviction opportunities with more compelling risk/reward profiles.
Sold	Salesforce Inc.	CRM	Information Technology	We sold Salesforce as conviction in horizontal application software declined amid increased competition, weaker pricing dynamics and less attractive valuations. We redeployed capital into opportunities with more direct exposure to structural AI tailwinds.
Sold	Verisk Analytics Inc.	VRSK	Industrials	While we continue to view Verisk as a high-quality business, its valuation had become less compelling given uncertainty in the insurance industry and the potential impact of AI on the business. We redeployed capital into higher-conviction opportunities with greater long-term return potential.

Sector Weights

As of 06/30/26

Sector	% of TNA	S&P 500
Communication Services	5.9	9.7
Consumer Discretionary	12.8	9.4
Consumer Staples	3.3	4.6
Energy	N/A	3.0
Financials	9.5	11.7
Health Care	8.8	8.9
Industrials	15.9	8.8
Information Technology	35.0	38.2
Materials	5.5	1.8
Real Estate	2.3	1.8
Utilities	N/A	2.2
Cash and Other	1.0	N/A

Ten Largest Holdings

As of 06/30/26

Security	% of TNA
Alphabet Inc., Class A	5.9
Applied Materials Inc.	5.9
NVIDIA Corp.	5.8
Microsoft Corp.	5.3
Amazon.com Inc.	4.7
Advanced Micro Devices Inc.	4.3
Apple Inc.	4.3
KLA Corp.	4.1
Waste Management Inc.	3.3
Deere & Co.	3.1

Portfolio holdings are subject to change.

Portfolio Managers

**Benjamin Allen**Chief Executive Officer,
Portfolio Manager

Experience: 27 years

**Todd Ahlsten**Chief Investment Officer,
Portfolio Manager

Experience: 31 years

**Andrew Choi**Portfolio Manager,
Director of Research

Experience: 13 years

Glossary

Earnings Growth is the change in a company's reported net income over a period of time.

Allocation Effect: The allocation effect in performance attribution measures how much of a portfolio's outperformance or underperformance against a benchmark comes from the manager's decision to overweight or underweight specific sectors or asset classes, rather than from picking individual stocks within them.

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 30, 2026, As Amended and Restated June 16, 2026, 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, 2027, 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.