

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 17.86% (net of fees) for the quarter, outperforming the Russell 1000 Value Index's 13.87%.
- The portfolio's outperformance was driven by our holdings in the Information Technology sector and a lack of exposure to the Energy sector. Our holdings in Health Care and Financials partially offset some of those gains.
- This quarter, we opportunistically reallocated capital from positions that had appreciated due to outperformance or are more economically sensitive into other holdings offering attractive risk/reward opportunities.
- We continue to concentrate our highest convictions in quality businesses positioned to benefit from thematic tailwinds and having the financial strength to withstand macroeconomic headwinds.

Market Review

The Russell 1000 Value Index delivered strong double-digit gains in the second quarter of 2026, a sharp rebound from the geopolitical and economic uncertainty in the first quarter. Market gains were driven largely by upside surprise in near-term earnings growth. While the Value Index underperformed its growth counterpart for the second quarter, it successfully maintained its year-to-date outperformance. The macroeconomic backdrop provided mixed signals during the quarter. A formal agreement to end the U.S.-Iran war sent oil prices sharply lower, providing substantial relief to near-term inflation fears. However, the Federal Reserve maintained a relatively hawkish bias, signaling that interest rates would remain higher for longer and emphasizing inflation control as its top priority. During the quarter, Information Technology, Industrials and Real Estate were the best-performing sectors in the Russell 1000 Value Index, while Consumer Staples and Utilities were relatively flat and the Energy sector ended the quarter with losses.

Fund Facts	Investor Shares	Institutional Shares
Ticker	PARWX	PFPWX
Net Expense Ratio ¹	0.88%	0.65%
Gross Expense Ratio	0.97%	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 06/30/2026	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
PARWX - Investor Shares	17.86	31.40	18.89	9.51	15.34
PFPWX - Institutional Shares	17.92	31.67	19.16	9.76	15.59
Russell 1000 Value Index	13.87	27.12	17.79	11.17	11.52

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.

Performance Review

Information Technology holdings fueled our outperformance

The Fund (Investor Shares) returned 17.86% (net of fees) for the quarter, outperforming the Russell 1000 Value Index's 13.87%. The portfolio's outperformance was driven by our holdings in the Information Technology sector, which delivered strong returns for the quarter due to the ongoing demand for artificial intelligence (AI) infrastructure buildout. A lack of exposure to Energy, which underperformed due to falling energy prices and easing geopolitical uncertainty, also helped returns. Conversely, our holdings in the Health Care and Financials sectors detracted from relative returns.

For the year-to-date period, the Fund returned 16.02% (net of fees), broadly in line with the Russell 1000 Value's 16.26%. Our positions in Health Care, Financials and Real Estate detracted from relative returns, while holdings in Information Technology, Industrials and Communication Services aided relative returns.

Top Contributors

Advanced Micro Devices (AMD), a leading semiconductor manufacturer, outperformed on strong AI data center demand, which drove record sales across its CPU and GPU portfolios.

Applied Materials, which supplies semiconductor manufacturing equipment, continues to see higher demand from foundry customers tied to AI infrastructure build-out, as hyperscalers boosted spending to support accelerating compute needs.

Western Digital, a leading data storage products maker, outperformed after the company's strong quarterly results, which reiterated powerful, multiyear support from AI data center storage demands.

Intel shares advanced on growing confidence in its foundry execution and AI strategy, supported by early customer traction and strong data center demand, which has brought CPUs back into favor.

Taiwan Semiconductor Manufacturing Co.'s (TSMC's) central role in AI chip production continued to bolster investor confidence and drive stock gains, as management announced higher-than-anticipated capacity expansion and strong future growth guidance.

Bottom Contributors

Verizon Communications shares declined amid large restructuring charges and broader pressure on defensive stocks.

CME Group 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. We remain confident in our thesis given CME's institutional dominance.

Brookfield Renewable's underperformance stemmed from an overhang from the company's exploration of combining Brookfield Renewable Partners and Brookfield Renewable Corporation Partnership units into a single security, not business deterioration. We remain convicted in the fundamental thesis given underappreciated secular tailwinds from AI data center power demand, electrification and reindustrialization.

Willis Towers Watson shares dropped after the quarterly report revealed softer organic revenue growth, driven by sector-wide pricing pressures and delayed corporate projects. However, management reaffirmed its full-year guidance and operational efficiency targets.

AstraZeneca underperformed despite the firm's better-than-expected earnings results, weighed down by broader defensive sector rotation and a lack of near-term positive catalysts. Investor enthusiasm was muted following regulatory uncertainty for its cancer therapy camizestrant and imminent generic competition for Farxiga.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
AMD	2.52	185.56	1.82
Applied Materials	2.45	111.80	1.43
Western Digital	1.61	136.20	1.09
Intel	1.92	216.41	0.78
TSMC	2.89	41.57	0.74

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Verizon	2.98	-14.36	-0.79
CME Group	1.93	-24.85	-0.74
Brookfield Renewable	2.35	-5.89	-0.52
Willis Towers Watson	1.91	-9.76	-0.52
AstraZeneca	2.34	-3.85	-0.48

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

Maintaining balanced, quality-anchored positioning

We maintain a balanced, quality-anchored portfolio with exposure across both cyclical and defensive segments of the market. This quarter, we opportunistically reallocated capital from positions that had grown larger due to outperformance or are more economically sensitive into other holdings offering attractive risk/reward opportunities.

The portfolio's largest overweight is in the Financials sector. The portfolio also has overweights in Communication Services and Information Technology. The portfolio's largest underweights are in Consumer Discretionary and Materials. The portfolio has no exposure to Energy.

We selectively pared back the portfolio's overweight to Financials to reduce the portfolio's macroeconomic sensitivity. Our Financials exposure remains anchored in high-quality, mega-cap banks, whose moats are widening from scale and technology advantages, and nonbank leaders that take minimal balance sheet risk across payments, exchanges and financial data.

Within Information Technology, we trimmed semiconductor positions following strong returns but continue to hold meaningful exposure to the group to maintain participation in the secular growth in AI. We redeployed some of those proceeds more broadly across the AI ecosystem, adding to hyperscaler cloud platforms such as Amazon, Microsoft and Oracle, where we believe the market underappreciates a growing backlog of AI infrastructure demand.

In Health Care, we rebalanced within the sector, exiting Bio-Rad Laboratories and adding to medical device companies, which we believe offer greater upside, supported by product innovation and demographic-driven demand.

Defensive sectors such as Consumer Staples and Utilities did not participate in the market rally. This created selective opportunities to increase quality defensive exposure, including a new position in Coca-Cola. We believe these additions enhance the portfolio's ability to be resilient should markets experience a pullback.

Across the portfolio, we continue to maintain our highest convictions in undervalued quality companies with the financial strength to withstand economic headwinds and positioned to benefit from long-term thematic tailwinds.

Outlook

Cautiously optimistic for quality value stocks to outperform

We believe our balanced portfolio positioning, coupled with our holdings' strong earnings growth potential and reasonable valuations, positions us well in the current market environment. That potential is supported by exposure to a range of secular tailwinds across sectors, giving the portfolio diversified paths to strong returns.

Value stocks delivered compelling double-digit performance in the second quarter, supporting strong year-to-date returns. These results were supported by resilience in the wider economy, de-escalation in the Middle East, stable consumer spending and a continued broadening among AI investment beneficiaries.

We remain cautiously optimistic for the rest of the year, supported by prospects for lower energy prices driving lower inflation, potential for accommodative fiscal policy in an election year and continued investment in AI infrastructure.

Despite our optimism, we remain vigilant about a broad range of risks. Our quality orientation and a focus on embedding a margin of safety—both in stock selection as well as in portfolio construction—are essential to delivering attractive risk-adjusted returns. Additionally, our disciplined approach to rotating capital into holdings with better risk/reward profiles is integral to preserving capital during periods of elevated market uncertainty.

As portfolio managers, we believe our deep experience in value investing underpins our ability to navigate these uncertain markets. We remain macro-aware, but our bottom-up investment process remains anchored in the fundamental analysis of company- and industry-specific dynamics. We believe fundamental factors often far outweigh short-term macro issues when one invests with a long-term time horizon. The efficacy of our time-tested approach is reflected in the strategy's returns since inception, through various economic cycles.

Quarterly Portfolio Activity

Activity	Security Name	Ticker	Sector	Rationale
Bought	Coca-Cola Co.	KO	Consumer Staples	Coca-Cola benefits from strong global brands, global distribution scale and durable pricing power supported by disciplined revenue growth management and strong fundamentals through market cycles. With majority volumes generated outside the U.S., the company is well positioned to capture long-term growth in emerging markets. Additionally, continued momentum in higher-growth beverage categories, including the Fairlife protein shake brand, supports a durable earnings growth outlook at a valuation we view as reasonable for the quality and resilience of the business.
Sold	Bio-Rad Laboratories Inc.	BIO	Health Care	We exited Bio-Rad Laboratories as the risk/reward profile became less attractive at current valuation. We believe incremental upside is more dependent on inorganic actions where we have lower conviction. We redeployed capital into opportunities offering more compelling risk/reward.

Sector Weights

As of 06/30/26

Sector	% of TNA	Russell 1000 Value
Communication Services	7.0	3.3
Consumer Discretionary	7.3	10.9
Consumer Staples	6.8	7.5
Energy	N/A	5.5
Financials	24.8	19.1
Health Care	12.6	12.6
Industrials	11.8	11.0
Information Technology	20.4	18.8
Materials	1.9	3.8
Real Estate	2.4	3.6
Utilities	3.9	3.9
Cash and Other	1.2	N/A

Ten Largest Holdings

As of 06/30/26

Security	% of TNA
Amazon.com Inc.	5.1
Alphabet Inc., Class A	4.4
Microsoft Corp.	3.6
The Bank of New York Mellon Corp.	3.5
JPMorgan Chase & Co.	3.4
Taiwan Semiconductor Mfg Co. Ltd., ADR	3.2
Micron Technology Inc.	2.9
Coca-Cola Co./The	2.8
Cummins Inc.	2.8
Verizon Communications Inc.	2.6

Holdings are subject to change.

Portfolio Managers


Krishna Chintalapalli

 Portfolio Manager,
Senior Analyst

Experience: 13 years


Mark Zagata

 Portfolio Manager,
Senior Analyst

Experience: 19 years

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.

The **margin of safety** is a tenet of investing by which an investor purchases securities only if they're trading below their intrinsic values by a certain amount.

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.

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 0.88% 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, 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, 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.