

# Parnassus Fund

Third Quarter 2018

## Strategy

The Parnassus Fund invests across the capitalization spectrum with high conviction in approximately 40 holdings. The Fund focuses on identifying companies with:

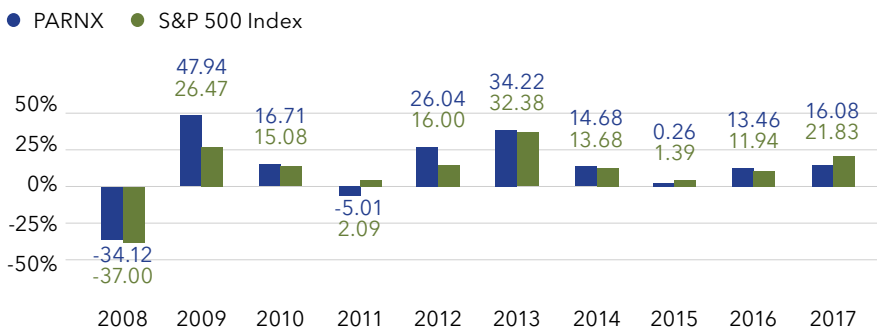
- Wide moats or strong competitive advantages that protect market share and profitability
- Relevancy over the long term, which provides a compounding growth component
- Quality management teams that will act in the best interest of shareholders
- Stocks trading at a significant discount to their intrinsic value

The Fund's contrarian approach seeks to invest in companies that are currently out of favor with the majority of investors. The Fund strives to outperform the S&P 500 Index with a high active share. The Fund avoids companies that are engaged in the extraction, exploration, production, manufacturing or refining of fossil fuels.

## Total Returns (%)<sup>1</sup>

As of 09/30/2018	3M	YTD	1Y	3Y	5Y	10Y	Since Incept. 12/31/84
PARNX	6.39	3.81	8.71	12.32	11.36	12.34	10.18
S&P 500 Index	7.71	10.56	17.91	17.31	13.95	11.97	11.40

## Annual Returns (%)



<sup>1</sup> All returns greater than one year are annualized.

<sup>2</sup> Percent based on total net assets as of date indicated.

**Risks:** 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.

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 most recent month end performance is available on the Parnassus website ([www.parnassus.com](http://www.parnassus.com)). Investment return and principal will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original principal cost. The Standard & Poor's 500 Composite Stock Price Index (the S&P 500 Index) is a widely recognized index of common stock prices. 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 Parnassus Funds are underwritten and distributed by Parnassus Funds Distributor, a subsidiary of Parnassus Investments and a FINRA member.

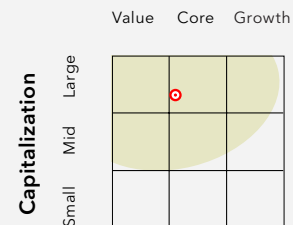
## Investor Shares

# PARNX

## Morningstar Ratings™

 **Bronze** 

### Investment Style



## Ten Largest Holdings<sup>2</sup>

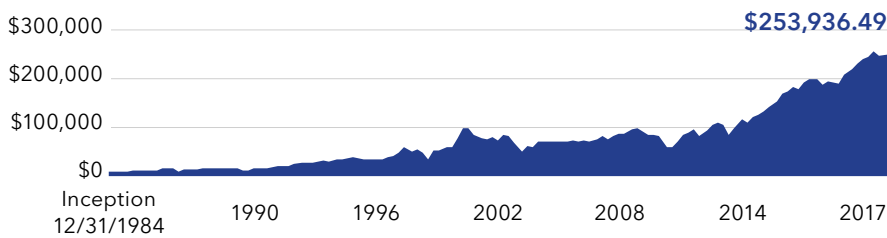
Thomson Reuters Corp.	6.1%
Alliance Data Systems Corp.	5.8%
CVS Health Corp.	5.3%
Nielsen Holdings PLC	5.0%
Mondelez International Inc., Class A	4.0%
Motorola Solutions Inc.	3.7%
Allergan PLC	3.7%
Alphabet Inc., Class A	3.6%
Hologic Inc.	3.3%
Belmond Ltd.	3.2%
<b>Total</b>	<b>43.7%</b>

## Sector Weighting<sup>2</sup>

● PARNX ● S&P 500 Index

Communication Services	8%	10%
Consumer Discretionary	11%	10%
Consumer Staples	4%	7%
Energy	0%	6%
Utilities	0%	3%
Financials	16%	13%
Health Care	18%	15%
Industrials	14%	10%
Materials	7%	2%
Information Technology	17%	21%
Real Estate	2%	3%
Short Term Investments	3%	0%

## PARNX – Annual Growth of \$10,000 as of Dec 31, 2017<sup>3</sup>



### Parnassus Overview

At Parnassus Investments, we invest responsibly to build wealth for our clients. We select businesses that we believe have increasingly relevant products or services, sustainable competitive advantages and quality management teams for our high conviction portfolios. Every investment we make must meet rigorous fundamental and environmental, social and governance (ESG) criteria.

### Meet the Portfolio Managers



**Ian Sexsmith**  
Portfolio Manager  
2013–Present

- 14 years in the industry
- With firm since 2011
- MBA, University of California, Berkeley 2010
- BComm, University of Manitoba, Canada



**Robert J. Klaber**  
Portfolio Manager  
2016–Present

- 10 years in the industry
- With firm since 2012
- MBA, Harvard Business School 2012
- MPhil, University of Cambridge 2008
- AB, Public & Private Sector Organizations & Sociology, Brown University 2007

Fund Facts	Investor Shares	Institutional Shares
Ticker	PARNX	PFPRX
Minimum Investment	\$2,000	\$100,000
Gross Expense Ratio	0.84%	0.69%
Net Expense Ratio	0.84%	0.69%
Inception Date	12/31/1984	04/30/2015

Distribution Frequency	Annually
Total Net Assets	\$1,006.0 M

Fund Characteristics	Fund	S&P 500 Index
Avg. Weighted Mkt Cap	\$75.6 B	\$247.6 B
P/E Ratio	21.1x	21.5x
P/B Ratio	2.9x	3.3x
Active Share	94.1%	–
Number of Holdings	32	505
Portfolio Turnover (2017 Annual)	37.5%	–

PARNX Statistics (5Yr)	Investor Shares	S&P 500 Index
Alpha	-2.54%	–
Beta	1.03	1.00
R-Squared	0.75	1.00
Sharpe Ratio	0.96	1.42
Standard Deviation	11.37%	9.55%

<sup>3</sup> The chart shows the growth of a hypothetical \$10,000 investment since inception and does not reflect the deduction of taxes a shareholder would pay on fund distributions or the redemption of fund shares.

All data as of 09/30/2018, unless otherwise noted.

**Average Weighted Market Cap** is the average capitalization of all stocks in the portfolio, weighted by each holding's size in the portfolio. **Price/Earnings (P/E) Ratio** is a ratio of a stock's current price to its per-share earnings over the past 12 months. **Price/Book (P/B) Ratio** is the ratio of a stock's latest closing price divided by its book value per share. **Alpha** is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a mutual fund and compares its risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark index is a fund's alpha. **Beta** is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. A beta over 1.00 suggests that the share price will typically be more volatile than the market. **R-Squared** is a measurement of how closely the portfolio's performance correlates with the performance of a benchmark index such as the S&P 500 Index. **Standard Deviation** is a calculation used to measure the variability (risk) of a portfolio's performance. **Sharpe Ratio** is a ratio used to measure risk-adjusted performance. It is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. **Active Share** measures the percentage amount your portfolio differs from a passive benchmark.

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**Before investing, an investor should carefully consider the investment objectives, risks, charges and expenses of the fund and should carefully read the prospectus or summary prospectus, which contain this information. A prospectus or summary prospectus can be obtained on the website, [www.parnassus.com](http://www.parnassus.com), or by calling (800) 999-3505.**