

PARNASSUS FUNDS®

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January 18, 2018

Dear Shareholder:

You may now view online your IRS Form 1099-DIV for tax year 2017. This 1099-DIV will reflect the income dividend and capital gain distributions you may have received, and you should use it in preparing your 2017 tax return.

All Parnassus Funds that declared long-term capital gains distributed them on November 21, 2017 to shareholders of record as of November 20, 2017. All Parnassus Funds that declared year-end income dividends distributed them on December 27, 2017 to shareholders of record as of December 26, 2017.

A mutual fund's dividend is a payout of the year's income and capital gains for tax purposes. The net asset value per share (NAV) of the Fund is lowered by the exact amount of the dividend on the payable date. The decline in the NAV is not a real economic loss since the difference is made up either by new shares added to your account if you reinvest dividends or by a cash payout. Unless your account is in an IRA account, income dividend and capital gain distributions are taxable. Regardless of whether the dividend was paid to you in cash or in additional shares, there is no difference for tax purposes. If you chose to receive cash, you have already received your distribution. If you chose to reinvest dividends, they have been credited to your account.

Income from dividend-paying stocks held in the funds for longer than 60 days is taxed at a different rate than other income. This income is known as Qualified Dividend Income (QDI). Your 1099-DIV form shows the amount of income generated as QDI in box 1b of your tax form.

If you sold shares during the year, we will also mail your 1099-B with an average cost calculation to help in reporting your capital gain. Average cost is the default method and calculates the gain or loss using the average cost – single category method of accounting. This is one of three available for calculating the cost basis of your shares. A shareholder is not required to use the average cost method of calculating cost basis. For shares acquired after January 1, 2012, the average cost method is also the default method unless you chose another cost basis method for these covered shares.

Sincerely,



William Fraser
Director of Shareholder Services