

Item 1 – Cover Page

Firm Brochure (Part 2A of Form ADV)
July 1, 2019

PARNASSUS INVESTMENTS

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This brochure provides information about the qualifications and business practices of Parnassus Investments. If you have any questions about the contents of this brochure, please contact Joe Sinha, Chief Marketing Officer, at (415) 778-2678. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Parnassus Investments is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Parnassus Investments also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

Since the last annual update to our brochure, dated March 25, 2019, the following material changes have been incorporated in the brochure:

- Item 5 – Fees and Compensation: The separate account fee schedule and related fee disclosures have been updated, effective July 1, 2019.

A non-material update to the brochure was previously made on June 6, 2019 to reflect the fact that Parnassus Funds Distributors, LLC is no longer a wholly-owned subsidiary of Parnassus Investments, effective May 1, 2019.

Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Currently, our brochure may be requested by contacting Joe Sinha, Chief Marketing Officer, at (415) 778-2678.

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Item 4 - Advisory Business

Overview

Founded in 1984, Parnassus Investments is an independent and employee-owned investment management company based in San Francisco, California. The firm seeks to invest in good businesses that have increasingly relevant products or services, sustainable competitive advantages, quality management teams and ethical business practices. Parnassus Investments aims to provide investors with investment strategies that will enable them to build wealth responsibly.

Parnassus Investments provides investment advisory services to two investment companies, the Parnassus Funds trust (which contains three funds: the Parnassus Fund, the Parnassus Mid Cap Fund and the Parnassus Endeavor Fund) and the Parnassus Income Funds trust (which contains two funds: the Parnassus Core Equity Fund and the Parnassus Fixed Income Fund). These funds are collectively known as the “Parnassus Funds” and are also referenced in this document as the “Funds.” Parnassus Investments also provides investment advisory services to separate or institutional accounts, including collective investment funds or sub-funds sponsored by other financial institutions for the benefit of institutional investors, and provides non-discretionary sub-advisory model management services to third party financial advisory firms. Parnassus Investments’ institutional clients include a European registered investment company portfolio that conducts business under the European Union’s directive for Undertakings for Collective Investment in Transferable Securities, or “UCITS,” for which another financial institution serves as the management company.

Parnassus Investments provides additional services to the Parnassus Funds for which it receives compensation, including acting as transfer agent, fund accountant and fund administrator to the Funds.

Parnassus Investments’ advisory services for managed accounts and the Funds are provided on a discretionary basis. Our advice to the Funds is tailored based on each Fund’s respective investment objective, investment policies and restrictions. Investment advice will be tailored to the individual strategies and objectives of separate account clients. Clients may impose reasonable restrictions on investing in certain securities or types of securities. Parnassus Investments follows responsible investment criteria for all clients, including the Funds, unless clients impose different criteria in the client agreement.

Parnassus Investments provides non-discretionary model manager subadvisory services to other financial institutions (“Model Services”) whereby Parnassus Investments provides a model portfolio that is based on the investment styles, strategies, or disciplines offered by Parnassus Investments.

Jerome L. Dodson, the Chairman of Parnassus Investments, is the principal owner of Parnassus Investments. No other shareholder holds 25% or more of the company’s shares.

Discretionary Assets Under Management

As of December 31, 2018, Parnassus Investments managed \$23,643,103,839 of client assets on a discretionary basis.

Item 5 - Fees and Compensation

Parnassus Investments provides investment advisory services to the Parnassus Funds and separate or institutional accounts. Parnassus also provides investment advisory and subadvisory services to other institutional accounts, as described in Item 4.

Investment Company Fees

Parnassus Investments charges advisory fees based on a percentage of net assets, generally ranging from 0.50% to 1.10%, depending on the amount of assets. Advisory fees are subject to review and approval by the Funds' Boards of Trustees and are set forth in the Funds' prospectus. Fees are payable monthly for the previous month.

Separate Account Fee Schedule

Parnassus Investments' current fee schedule for separately managed account clients is based on a percentage of assets under management, as follows:

	ANNUAL RATE	MINIMUM ANNUAL FEE
Parnassus Multi-Cap Equity	0.60%	\$150,000
Parnassus Core Equity Of the first \$200 million in assets Of the amount above \$200 million up to \$400 million Of the amount above \$400 million in assets	0.40% 0.35% 0.30%	\$100,000
Parnassus Mid-Cap Equity	0.70%	\$175,000
Parnassus Endeavor Large-Cap Equity	0.65%	\$162,500
Parnassus Core Fixed Income	0.50%	\$125,000

Parnassus Investments reserves the right to negotiate fees at its discretion. Parnassus Investments may agree to different fees than those shown above depending on factors such as investment objectives and restrictions, the nature of the client relationship, the length of time of the relationship, the size of the account and other factors.

The separate account minimum is generally \$25,000,000 for all strategies, although Parnassus Investments reserves the right to waive the minimum at its discretion.

The specific manner in which separate account fees are charged by Parnassus Investments is established in the client agreement. Parnassus Investments will generally bill its fees on a

quarterly basis. Clients may elect to be billed in advance or arrears each calendar quarter. Clients may also elect to be billed directly for fees or to authorize Parnassus Investments to directly debit fees from client accounts. Management fees are generally prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Other Clients

The fees Parnassus Investments charges for services to the UCITS portfolio and to other managed accounts vary depending on the level of assets and services provided.

Model Services

The fees charged for Model Services provided to financial institutions are negotiated in consideration of the type of services and capacity that Parnassus Investments is required to perform. Parnassus Investments is paid an annualized investment advisory fee based on the total underlying client assets which are managed on the basis of the Model Portfolio(s) provided under the Model Services arrangement.

Other Fees

Parnassus Investments' fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which are charged to the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees and other expenses, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Parnassus Investments' fee, and Parnassus Investments does not receive any portion of these commissions, fees and costs. If a separate account client is invested in a Parnassus Fund, fee offsets will apply to the management fee charged by the Fund.

Item 6 - Performance-Based Fees and Side-By-Side Management

Parnassus Investments does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 - Types of Clients

Parnassus Investments generally provides investment advice to investment companies and to separately managed institutional accounts. Please see [Item 5](#) for the separate account minimum. Parnassus Investments also serves as the adviser-delegate to a portfolio of a European registered investment company that conducts business as a UCITS and to other collective investment vehicles sponsored by unaffiliated financial institutions.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Overview

Parnassus Investments uses fundamental security analysis methods in managing client accounts. Investment strategies used to implement advice given to clients include long-term purchases (securities held at least a year) and short-term purchases (securities sold within a year). We offer advice on equity securities, exchange-listed securities, securities traded over-the-counter, foreign issues, warrants, corporate debt securities, commercial paper, certificates of deposit, mutual fund shares, U.S. government securities, and partnerships investing in real estate.

Selection Process for Equity Securities

“Equity securities” consist of common stocks or securities that can be converted into common stocks, which include convertible bonds, convertible preferred stock, warrants and American Depositary Receipts. In general, we use three basic criteria in identifying equity securities eligible for client portfolios:

1. the company is financially sound and is priced attractively relative to its potential reward and risk profile;
2. the company has increasingly relevant products or services;
3. the company has clear and sustainable competitive advantages;
4. the company has a quality management team with appropriate incentives;
5. at time of purchase, the company is suitable for a multi-year investment; and
6. the company, in our judgment, meets the responsible investment criteria described below.

Once a security is purchased, we may continue to hold it even if it is no longer undervalued.

Selection Process for Fixed Income Securities

In general, Parnassus Investments uses the following methodology to select securities for the Parnassus fixed income strategy:

1. The fixed income market is reviewed for sector-specific risks, relative historical performance and expected future performance. As part of the market review, Parnassus Investments considers market risk and credit risk.
2. Based on the findings of the economic and market review, Parnassus Investments determines the optimal sector allocations relative to the benchmark index.
3. Parnassus Investments selects securities that meet the duration, asset class and sector targets established in the previous steps. A thorough review is completed to analyze the following key criteria for each investment: credit quality, absolute and relative yields, and valuation.

4. A meaningful percentage of our holdings are corporate securities. We select for companies with the following attributes:
 - a. the company has increasingly relevant products or services;
 - b. the company has clear and sustainable competitive advantages;
 - c. the company has a quality management team with appropriate incentives; and
 - d. the company has an attractive three-year range of outcomes

Responsible Investment Criteria

As stated above, Parnassus Investments generally follows responsible investment criteria in managing client accounts. We conduct fundamental research to determine a company's financial health and its business prospects, and also take environmental, social and governance ("ESG") factors into account in making investment decisions.

We seek to invest in companies with positive performance on ESG criteria. The ESG factors we evaluate include:

- Corporate governance and business ethics
- Employee benefits and corporate culture
- Stakeholder relations
- Product, customers and supply chain
- Environmental impact

No company will be perfect in all of these areas; we make value judgments in deciding which companies best meet the criteria.

Parnassus Investments generally will not invest in companies that derive significant revenues from the manufacture of alcohol or tobacco products or from direct involvement with gambling. We generally do not invest in companies with significant revenues derived from the manufacture of weapons or the generation of electricity from nuclear power.

Sources of Information

The main sources of information used by Parnassus Investments include financial publications, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, SEC filings, and company press releases.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. Your account may be subject to the following risks:

Management Risk.

You must rely upon our abilities and judgment and upon the investment abilities of our portfolio managers. There is no guarantee that the manager's investment techniques will be successful. Parnassus Investments may be wrong in its assessment of a company's value and/or the stocks

held by client accounts may not reach what we believe are their full values. From time to time, “value” investing falls out of favor with investors, and during those periods relative performance of client accounts may suffer. Parnassus Investments adheres to “responsible investing” guidelines with respect to client accounts, including the Funds, which may limit available investment opportunities.

Equity Securities Risk.

Common stocks and other equity securities generally increase or decrease in value based on the earnings of a company and on general industry and market conditions. The value of a company’s share price may decline as a result of poor decisions made by management, lower demand for the company’s services or products or if the company’s revenues fall short of expectations. There are also risks associated with the stock market overall. The stock market may experience periods of turbulence and instability.

Small- and Mid-Capitalization Company Risk.

We may invest in small- and/or mid-capitalization companies, which can be particularly sensitive to changing economic conditions since they do not have the financial resources or the well-established businesses of large-capitalization companies. Relative to the stocks of large-capitalization companies, the stocks of small- and mid-capitalization companies are often thinly traded, and purchases and sales may result in higher transaction costs. Also, small-capitalization companies tend to perform poorly during times of economic stress.

Foreign Investing Risk.

Investments in foreign companies and markets carry a number of economic, financial and political considerations that are not associated with the U.S. markets and that could unfavorably affect your account’s performance. Among those risks are: greater price volatility; weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; fluctuations in foreign currency exchange rates and related conversion costs; adverse tax consequences; and settlement delays. In June 2016, the United Kingdom voted to leave the European Union following a referendum referred to as “Brexit.” There is significant market uncertainty regarding Brexit’s ramifications, and the range of possible political, regulatory, economic and market outcomes are difficult to predict.

Fixed Income Securities Risk.

Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that interest rates may increase, which tends to reduce the resale value of certain debt securities.

Government Securities Risk.

U.S. government securities are subject to interest rate and inflation risks. Not all U.S. government securities are backed by the full faith and credit of the U.S. government. Certain securities issued by agencies and instrumentalities of the U.S. government are only insured or guaranteed by the issuing agency or instrumentality, which must rely on its own resources to repay the debt. As a result, there is risk that these entities will default on a financial obligation.

Cybersecurity Risk.

The information and technology systems of Parnassus Investments and of key service providers to Parnassus Investments and its clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although Parnassus Investments has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for Parnassus Investments to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of Parnassus Investments or Parnassus Fund accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Parnassus Investments or the integrity of our management. Parnassus Investments has no information applicable to this Item.

Item 10 - Other Financial Industry Activities and Affiliations

As stated above in Item 4, Parnassus Investments is the investment adviser to the Funds. Parnassus Investments also provides accounting, administration and transfer agency services to the Funds. These agreements are reviewed by the Trustees of the Funds on an annual basis. Certain of our officers and employees also serve as officers and/or trustees of the Funds.

The underwriter/distributor to the Funds is Parnassus Funds Distributor, LLC which is an unaffiliated limited-purpose broker-dealer that engages in no other business aside from serving as underwriter/distributor to the Funds. Certain of Parnassus Investments personnel are registered representatives of Parnassus Funds Distributor, LLC.

Principals and employees of Parnassus Investments may not serve on the board of directors of public companies. From time to time, independent trustees of the Parnassus Funds may serve on the board of directors of public companies, and Parnassus Investments may invest in such companies. Trustees are required to advise the Chief Compliance Officer when they accept a directorship of another public company, and trustees are required to refrain from discussing such company or sharing any information learned in connection with such service on the board with any personnel of the Parnassus Funds or Parnassus Investments. A trustee of any such public company that (a) is a party to a material contract or transaction or proposed material contract or transaction with Parnassus Investments; or (b) has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with Parnassus Investments, is required to disclose this to the company and to Parnassus Investments and the other independent trustees. Such trustee will not attend any part of a meeting of directors during which the contract or transaction is discussed and shall not vote on any resolution to approve the contract or transaction.

Alecia A. DeCoudreaux is a trustee of the Parnassus Funds and is also a director of CVS Health, which as of January 31, 2019 is a portfolio holding of certain Parnassus Funds.

Item 11 - Code of Ethics, Participation or Interests in Client Transactions and Personal Trading

The Funds and Parnassus Investments have adopted a Code of Ethics (the “Code”) in compliance with Rule 17j-1 under the Investment Company Act of 1940 and Rule 204A-1 under the Investment Advisers Act of 1940. In their personal investment activities, all Trustees and officers of the Funds and all officers, directors and staff of Parnassus Investments are directed to place the interests of Fund shareholders and clients before their own personal interests. All personal securities transactions must be conducted consistent with the Code and in such a manner as to avoid any actual or potential conflict of interest or any abuse of an individual’s position of trust or responsibility. No one affiliated with the Funds or Parnassus Investments may take inappropriate advantage of his or her position. All persons abiding by the Code must seek to comply with federal securities laws to the best of their ability. A copy of the Code is available upon request to any client or prospective client. A copy of the Code may be obtained by calling Joe Sinha, Chief Marketing Officer, at (415) 778-2678.

Parnassus Investments or a related person may recommend to clients that they buy or sell shares of the Funds, in which Parnassus Investments has a financial interest. This may present a conflict of interest because investment in the Funds results in advisory fee revenue to Parnassus Investments. Parnassus Investments has adopted various policies and procedures to ensure that its clients’ interests are placed first, such as the Code and oversight by the Compliance department. Parnassus Investments personnel may purchase or sell for their own accounts securities that are recommended to clients or purchased for client accounts; however, Parnassus Investments personnel generally may not effect transactions in securities for their own account, or for accounts in which they have an interest or control, where such securities are simultaneously contemplated for purchase or sale for a client account or are the subject of an unexecuted order for a client account. The Code provides for a 5-day “blackout period” on most personal trading, which generally ensures that client purchases and sales are made before trades by personal accounts of Parnassus Investments staff (the Code provides that certain *de minimis* trades – transactions up to \$15,000 – placed by certain staff members who are not research analysts, portfolio managers, operations, compliance, or sales and marketing staff are not subject to the 5-day blackout period). Securities on the firm’s “Approved List,” which are those that have been approved for purchase in the portfolios, are not eligible for this exception. Parnassus Investments does not buy or sell securities directly for itself that it also recommends to clients. However, investments made by related persons of Parnassus Investments may hold interests in the Parnassus Funds, and the Funds in turn may own underlying portfolio securities for which Parnassus Investments buys, sells or recommends to advisory clients. In addition, Parnassus personnel may not purchase and sell the same covered security that is subject to pre-approval for a gain within any 30-day period.

All Parnassus Investments personnel must pre-clear trades for personal securities accounts except for trades in certain securities, as described in the Code of Ethics. Investments in initial public offerings and private placements are also required to be pre-cleared. Parnassus

Investments maintains an internet-based personal securities reporting and certification process (the “Electronic Reporting System”), which Access Persons are expected to use for preclearance requests and to make and certify online submissions of their required Initial and Annual Holdings Reports, Quarterly Transaction Reports and other certifications. Access Persons who are unable to report through the Electronic Reporting System (i.e., persons who are not a designated user of the Electronic Reporting System or otherwise unable to access the application) must certify and submit their required periodic reports and certifications in alternative electronic or paper form to the Compliance department, in a manner specified by the Chief Compliance Officer.

Political Contributions

Parnassus Investments employees are permitted under certain circumstances to make political contributions pursuant to restrictions and compliance controls as set forth in Parnassus’ Policies Regarding Political Activities by Investment Advisers, which was implemented to reflect the SEC’s restrictions on political contributions as well as to maintain Parnassus’ high standards of ethical conduct.

Gifts and Entertainment

Parnassus Investments employees are permitted, on occasion, to accept (or give) gifts and invitations to attend entertainment events, pursuant to certain restrictions and compliance controls as set forth in Parnassus’ Gift and Entertainment Policy and Procedures. When doing so, however, employees must always act in the best interests of Parnassus clients and must avoid any activity that might create an actual or perceived conflict of interest or impropriety in the course of our business relationships.

Outside Business Activities

Employees’ personal activities, associations or functions may create potential conflicts of interest. The personal interests of Parnassus Investments personnel must not be placed improperly before the interests of Parnassus Investments or its clients. Outside business activities broadly include becoming employed by any other person or entity, receiving compensation from any other person or entity, or serving as an officer, director or partner of another entity. Employees engaging in outside business activity are generally required to receive pre-clearance from the Chief Compliance Officer.

Conflicts of Interest

Set forth below is a description of certain potential conflicts of interest that may arise in the course of Parnassus Investments’ activities for its own account and for the accounts of its clients, including the Funds and separately managed accounts.

Conflicts Related to Portfolio Management of Multiple Accounts

Parnassus Investments acts as investment adviser to portfolios of the Parnassus Funds and separately managed accounts that have similar investment objectives and pursue similar investment strategies. As a result, certain investments identified by Parnassus Investments may be appropriate for multiple clients. Decisions to buy and sell investments for each client advised by Parnassus Investments are made with a view toward achieving such client’s investment objectives; however Parnassus Investments may face conflicts of interest in allocating investment opportunities among accounts because Parnassus Investments might receive greater

fees or compensation from some accounts than others. Moreover, a particular investment may be bought or sold for only one client or in different amounts and at different times for more than one but fewer than all clients, even though it could have been bought or sold for other clients at the same time. In addition, when a particular investment is bought or sold for two or more clients on the same date, there can be no assurance that a client will not receive less (or more) of the investment than it would otherwise receive if Parnassus Investments did not have a conflict of interest among clients. Also, a particular investment may be bought for one or more clients when one or more other clients are selling the investment. Investment decisions for clients are made by Parnassus Investments in its best judgment, but in its sole discretion, taking into account such factors as Parnassus Investments believes to be relevant. Such factors may include investment objectives, regulatory restrictions, availability and liquidity of the investment, current holdings, availability of cash for investment, liquidity requirements of the account, the size of the investments generally and limitations and restrictions on a client's account that are imposed by the client. In effecting transactions, it may not always be possible, or consistent with the investment objectives of Parnassus Investments' various clients, to take or liquidate the same investment positions at the same time or at the same prices. Parnassus Investments generally is not under any obligation to share any investment, idea or strategy with all of its clients.

Parnassus Investments seeks to manage and/or mitigate the potential conflicts of interest described above by following its Procedures for Aggregating Client Securities Transactions, Allocating Shares in Block Trade Orders and Rotating the Order of Trade Execution/Model Delivery with respect to the allocation of investment opportunities among its clients, including the allocation of limited opportunities.

Notwithstanding these procedures, if Parnassus Investments implements a portfolio decision for one client ahead of, or contemporaneous with, another client, the market impact of the investment decision could result in one or more clients receiving more favorable trading results or reduced costs at the expense of one or more other clients.

Conflicts Related to Proprietary Accounts

Parnassus Investments may have conflicts relating to accounts in which it has a proprietary interest. This conflict most often arises in the context of the Parnassus Funds where Parnassus Investments or an affiliate has made an investment. This investment may provide an incentive for Parnassus Investments to favor accounts in which it or an affiliate has such an interest over accounts or funds where it does not. In most cases, Parnassus Investments' investment will be limited to modest amounts of seed money. However, Parnassus Investments or an affiliate may make larger investments that result in Parnassus Investments or an affiliate becoming a larger investor in a fund. To address this potential conflict, Parnassus Investments has adopted a policy to address situations where an investment in commingled vehicles may be significant enough to heighten the risk of the potential conflict. Parnassus Investments defines Proprietary Accounts as those accounts where at least 25% of net assets are owned by Parnassus Investments, its employees, officers or affiliates. The Compliance department monitors the trading activity of Proprietary Accounts to ensure that the trading in a proprietary portfolio has not disadvantaged clients of Parnassus Investments.

Conflicts Related to Cross Trades

To the extent permitted by applicable law, Parnassus Investments' compliance policies and procedures, and a client's investment guidelines, Parnassus Investments may engage in "cross trades" where, as investment manager to a client account, Parnassus Investments causes that client account to purchase a security directly from another client account. This might be done in an effort to reduce transaction costs, increase execution efficiency, and capitalize on timing opportunities. Cross trades present a conflict of interest because Parnassus Investments represents the interests of both the selling account and the buying account in the same transaction. As a result, clients for whom Parnassus Investments executes cross trades bear the risk that one counterparty to the cross trade may be treated more favorably by us than the other party, particularly in cases where the first party pays Parnassus Investments higher management fees. Additionally, there is a risk that the price of a security bought or sold through a cross trade may not be as favorable as it might have been had the trade had been executed in the open market. See Item 12, "Brokerage Practices" for information on Parnassus Investments' policies and procedures related to cross trades.

Conflicts Related to Sponsorship Activities

From time to time, Parnassus Investments may be asked to sponsor investment-related conferences, webinars, panels and similar events. For example, we may be asked to sponsor sales, client and similar conferences (which may include booths) and other events where investment advisors, broker-dealers and their representatives are provided with information about Parnassus Investments and its products (including the Funds) and services. These events are typically (although not always) conducted for training and/or educational purposes, and our sponsorship of the event generally requires us to make direct payments to third party investment advisors and broker-dealers to help offset the costs associated with holding the event, including, in certain circumstances, travel, lodging, food and entertainment costs. Events that we may be sponsor that are not training and/or education related may include dinners and other forms of entertainment. The payments we make as part of our sponsorship of these events may create a conflict of interest and may compromise the independence and objectivity of the third parties in their selection of investment managers for their clients in that they provide an incentive to the third parties receiving such payments to select or recommend Parnassus Investments' products and services over other investment managers who have not made such payments. In light of this, we maintain policies and procedures to ensure that our participation in these events is consistent with applicable regulatory requirements and industry standards.

Item 12 - Brokerage Practices

Broker Selection and Soft Dollar Practices

Parnassus Investments generally has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, the amount of the securities to be bought or sold, the broker or dealer to be used, and the commission rates paid. Parnassus Investments does not have brokerage discretion with respect to Model Services clients.

With respect to accounts over which Parnassus Investments has brokerage discretion, Parnassus Investments determines the broker-dealer through which client transactions are executed and if commissions are reasonable. We will choose brokers on the basis of "best execution." Best

execution generally means the execution of orders at the most favorable price in light of the overall quality of brokerage and research services provided. Choosing brokers on the basis of best execution involves a number of criteria, including, but not limited to, the relative cost of a trade, speed and accuracy of execution, ability to execute the trade in a given security, and research and other services provided by the broker. Financial strength and integrity of the broker are also factors we consider. Our policy of “best execution,” then, comprises a number of factors including reasonable cost, services provided, financial strength, speed and accuracy of trades, and integrity of the broker.

In accordance with the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, clients may pay a higher commission to brokers that provide research and brokerage services to Parnassus Investments. We believe these services make a valuable contribution to our investment process. Commission payments in exchange for research and brokerage services are commonly referred to as “soft dollars.” Research services acquired through soft dollar payments include both proprietary research services and third-party research.

Parnassus Investments also participates in “commission sharing arrangements” to receive eligible research and brokerage products and services. In commission sharing arrangements, Parnassus Investments may effect transactions, subject to best execution, through a broker and request that the broker allocate a portion of the commission or commission credits to a segregated “research pool(s)” maintained by the broker. Parnassus Investments may then direct such broker to pay for various products and services that are eligible under the safe harbor of Section 28(e).

Participating in commission sharing arrangements may enable Parnassus Investments to (1) strengthen its key brokerage relationships; (2) consolidate payments for research and brokerage products and services; and (3) continue to receive a variety of high quality research and brokerage products and services while facilitating best execution in the trading process.

Parnassus Investments currently has a commission sharing arrangement with ConvergeX Group, which provides us with an investment analytics tool called FactSet, Bloomberg terminals, third-party research and brokerage services. During the past fiscal year, Parnassus has obtained the following research services through soft dollar transactions:

- Third-party research
- Participation in investment conferences
- Access to research analysts

Our firm has a standing Trade Management Oversight Committee (“TMOC”) consisting of members of our portfolio management, trading, compliance and operations teams. The committee meets at least quarterly to review the quality of brokerage execution obtained on behalf of our clients, to monitor our use of soft dollar research and other services received in connection with client transactions and to review and compare the quality of broker services provided. During our last fiscal year, our TMOC Committee established an estimated equity brokerage commission budget in advance that reflected our estimate of the most value to our firm and its clients for research and other services, if any, provided by the broker-dealers to which we direct client transactions. The committee was satisfied with the quality of brokerage obtained by our firm for its clients.

Brokerage services may include trading systems that provide connection with brokers and assist in best execution as well as settlement.

Certain soft-dollar agreements may be considered “mixed use” and such costs are allocated between research services that may be paid with soft dollars and those that must be paid for in cash based on a documented and rational methodology.

To the extent that Parnassus Investments uses client transactions to obtain research or other products or services that we could otherwise purchase for cash, Parnassus Investments receives a benefit because we do not have to produce or pay for such research, products or services. As a result, Parnassus Investments may have an incentive to select brokers or pay higher commissions than would otherwise be the case due to our interest in receiving these benefits, rather than our client’s interest in receiving most favorable execution. However, we monitor this potential conflict of interest by regular review of our soft dollar services and payments as well as the following procedures. Commissions allocated to brokers, as well as the quality of execution by each broker including items such as error rate, timeliness of execution and price received are reviewed regularly by Parnassus Investments, and with respect to the Funds, by the Funds’ Board of Trustees. Research provided by such brokers may be used to service all client accounts and not exclusively in connection with the management of the client account that generated the particular soft dollar credits. The research that Parnassus Investments receives for a client’s brokerage commissions, whether or not useful to that client, may be useful to Parnassus Investments in managing the accounts of Parnassus Investments’ other advisory clients. Similarly, the research received for the commissions of such other accounts may be useful to another client.

Parnassus Funds Distributor, LLC serves only as an underwriter/distributor to the Funds and does not execute trades for client accounts. In executing portfolio trades for its clients, Parnassus Investments uses unaffiliated broker-dealers.

Directed Brokerage Arrangements

Parnassus Investments does not maintain directed brokerage arrangements on its own initiative and generally recommends against them, however, clients may request that Parnassus Investments direct the client’s brokerage to a particular broker. A directed brokerage arrangement involves a client directive obligating Parnassus Investments to utilize a particular broker or brokers without regard to best execution. Directed brokerage arrangements do not encompass client preferences, goals or instructions that are subject to Parnassus Investments’ obligation to obtain best execution. Parnassus Investments’ ability to obtain best execution for the client may be hindered by the directed brokerage relationship and the client may forego any benefit from savings on execution costs that Parnassus Investments could obtain for its other clients through negotiating for volume discounts with brokers, aggregating client orders and seeking execution of transactions as efficiently as possible and at the best price.

Trade Aggregation and Allocation

Parnassus Investments may aggregate contemporaneous orders for more than one client’s account to form a “block” order for the purpose of seeking a better price and execution. In addition, certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Parnassus Investments’ obligation of best execution. In

such circumstances, participating client accounts, including any affiliated accounts, will share commission costs equally and receive securities at a total average price. Parnassus Investments will retain records of aggregated trade orders (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be documented in the order. Parnassus Investments does not have brokerage discretion over accounts of Model Services, in which the Model Services program sponsor generally directs trades through its own trading desk. Parnassus Investments will use a rotational process to alternate the trading order for the discretionary accounts participating in aggregated orders and for Model Services accounts and other accounts trading in the same securities, if any, such as directed brokerage accounts.

Cross Trades

The firm typically does not effect principal or agency cross securities transactions for client accounts. Principal transactions are generally transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client.

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Parnassus Investments does not engage in agency cross transactions (i.e., transactions in which Parnassus Investments earns a fee other than its advisory fee).

While Parnassus Investments does not engage in principal or agency cross transactions, Parnassus Investments may engage in internal cross trades where prudent, in compliance with SEC and Department of Labor rules, and where permitted by client contracts. An internal cross trade involves a transaction where a security is sold from one advisory account to another such account. In the ordinary course of its business, Parnassus Investments may execute cross trades, and if so the cross trades would primarily be between affiliated U.S. mutual funds that have particular liquidity mandates. Internal cross trades are subject to Rule 17a-7 under the Investment Company Act of 1940 for U.S. mutual funds. Parnassus Investments does not permit internal cross trades involving one or more retirement accounts (e.g., subject to ERISA). In other cases, Parnassus Investments will ensure that any internal cross transactions are in the best interests of and are appropriate for both clients, and the transactions should remain consistent with Parnassus Investments' obligations to seek best execution and an independent or objective pricing mechanism is used. To the extent a broker is intentionally utilized to facilitate a cross trade with or without compensation, Parnassus Investments will honor the same process and requirements. Additionally, there may be some instances where Parnassus Investments could have executed a cross trade and avoided paying commissions, but due to factors such as timing (i.e., the buy and sell trades were placed at different times of day by different portfolio managers) it was not feasible to place a cross trade. As a result of this, clients may pay higher brokerage fees in certain instances than if a cross trade had been executed.

Trading Errors

During the course of our handling of client transactions, trade errors may inadvertently occur. We will take steps to correct the error as soon as practicable. Clients will be made whole following a trade error.

Item 13 - Review of Accounts

Parnassus Investments' investment company and other managed account portfolios are managed by the following individuals. More information as to the Fund(s) managed by each individual is set forth in the prospectus.

- Benjamin E. Allen, Portfolio Manager, President and Chief Executive Officer
- Jerome L. Dodson, Portfolio Manager and Chairman
- Todd C. Ahlsten, Portfolio Manager and Chief Investment Officer
- Matthew D. Gershuny, Portfolio Manager and Director of Research
- Lori A. Keith, Portfolio Manager and Senior Research Analyst
- Ian E. Sexsmith, Portfolio Manager and Senior Research Analyst
- Robert J. Klaber, Portfolio Manager and Senior Research Analyst
- Billy J. Hwan, Portfolio Manager and Senior Research Analyst
- Samantha D. Palm, Portfolio Manager

Please see the Funds' prospectus for information about the portfolio managers of the Parnassus Funds.

Todd C. Ahlsten, as Chief Investment Officer, has oversight responsibility for client investment portfolios.

With respect to Fund and other managed account portfolios, each portfolio manager of the account reviews the account on an ongoing basis.

Portfolios are also subject to a formal compliance review, conducted by the portfolio managers and Compliance department, on a monthly basis.

For separate and other managed account clients, Parnassus Investments generally provides reports to clients on a quarterly basis, describing investment performance, transaction history, portfolio holdings and relevant market and economic conditions or as otherwise requested by the client. Investment company clients receive reports as requested by the Boards of Trustees and in accordance with SEC reporting requirements.

For the Model Service program, Parnassus Investments is responsible on a non-discretionary basis for providing a model portfolio of securities to a third party investment manager, who is responsible for determining if the model portfolio is appropriate for investments by the third party investment manager's clients. The third party investment manager is also be responsible for any trading of securities based on the model portfolio.

Item 14 - Client Referrals and Other Compensation

Parnassus Investments does not compensate any person for client referrals. As noted in Item 12, above, Parnassus Investments receives research and brokerage services from brokers and has adopted procedures to monitor potential conflicts of interest in connection with soft dollar arrangements. Parnassus Investments does not receive commissions or any other economic benefit from a non-client in connection with providing advice to clients.

Item 15 - Custody

Parnassus Investments does not maintain physical custody of client assets. However, under the provisions of Rule 206(4)-2 under the Investment Advisers Act of 1940, Parnassus Investments may be deemed to have custody of a client's assets because it has the ability to deduct the client's fees directly from a custodian account (pursuant to client authorization).

Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains the client's investment assets. Parnassus Investments urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 - Investment Discretion

Parnassus Investments usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Parnassus Investments' discretion is set forth in the respective client agreement.

When selecting securities and determining amounts, Parnassus Investments observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Parnassus Investments' authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Clients will typically seek to limit the account to an agreed-upon set of permitted types of instruments and include requirements for types of issuers and sectors, maximum or minimum allocations to asset classes, ratings classifications, and other similar characteristics highly dependent on the nature of the account. Parnassus Investments seeks to accommodate these requests subject to concerns about maintaining the account's ability to meet its objective and Parnassus Investments' ability to program the limitations into its compliance systems. Investment guidelines and restrictions must be provided to Parnassus Investments in writing.

Item 17 - Voting Client Securities

Parnassus Investments will vote proxies with respect to portfolio securities held by the Funds. We also vote proxies for other managed account clients unless the client elects to retain proxy voting authority in the advisory agreement or, in the case of sub-advisory arrangements, proxy voting authority is retained by another party. Clients that wish to vote proxies in a particular manner must retain proxy voting authority in the investment advisory agreement.

We have adopted proxy voting policies and procedures (the “Proxy Voting Policy”) designed to ensure that Parnassus Investments votes proxies in the best interests of its clients and Fund shareholders. The Proxy Voting Policy addresses how we generally intend to vote proxies (or what factors we will take into consideration) when voting on particular types of issues, such as social and corporate responsibility, the environment, labor issues, corporate governance, mergers and acquisitions and shareholder rights. A summary of the voting procedures is attached.

The actual voting records for the portfolios of the Parnassus Funds are available on the Funds’ website, www.parnassus.com, and on the website of the SEC at www.sec.gov. The SEC website contains information regarding how the Funds and the portfolios of the Parnassus Funds voted portfolio securities during the most recent 12-month period, while the Funds’ website gives information about the votes in real time, or as soon as possible after a vote has been cast.

Parnassus has contracted with Institutional Shareholder Services, Inc. (“ISS”) to provide proxy voting research and assist Parnassus Investments in its proxy voting responsibilities. Parnassus Investments will allocate a reasonable portion of expenses associated with the ISS service to the Parnassus Funds, and Parnassus Investments will pay the balance of expenses associated with the ISS service allocated to other managed accounts.

Our duty is to vote proxies in the best interests of our clients and Fund shareholders. Therefore, in situations where there is a conflict of interest, we will take one of the following steps to resolve the conflict:

1. Vote the securities based on a pre-determined voting policy if the application of the policy to the matter presented involves little discretion on our part;
2. Refer the proxy to the client or to a fiduciary of the client for voting purposes;
3. Suggest that the client engage another party to determine how the proxy should be voted; or
4. Disclose the conflict to the client or, with respect to a Fund, the Funds’ Independent Trustees and obtain the client’s or Trustees’ direction to vote the proxies.

Clients may obtain a copy of Parnassus Investments’ complete proxy voting policies and procedures upon request to Parnassus Investments at the telephone number set forth on the cover page of this brochure. This policy is also available in the Parnassus Funds Statement of Additional Information and at www.parnassus.com. Clients may also obtain information about

how Parnassus Investments voted any proxies on behalf of their account(s) upon telephonic request.

Item 18 - Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. Parnassus Investments has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Summary - Proxy Voting Procedure

Why we vote

Voting has the power to influence corporate behavior, such as mandating progress on environmental goals or on the remediation of controversies facing the company. Knowing what resolutions are being raised by other shareholders at these meetings may also help investors pinpoint emerging issues before they become major problems.

How we vote

Parnassus votes proxies based on the firm's values. The Parnassus investment team and proxy committee consider ISS (Institutional Shareholder Services) recommendations and study the proposals before each vote. Below are summaries illustrating how Parnassus votes.

Environment

FOR increased disclosure, addressing climate change, eliminating toxins in products and reducing negative operational impacts

Employees and Supply Chain

FOR increased disclosure, codes of conduct, fair wages, safe working conditions and the right to organize

Diversity

FOR increased disclosure, nondiscrimination policies and improvements in diverse representation both within the workforce and at the executive level

Community Relations

FOR good corporate citizenship and community sensitivity

Philanthropy

FOR increased disclosure and more philanthropy

Animal Welfare

FOR increased disclosure and viable alternatives to testing

Ethical Business Practices

FOR promotion of ethical business practices

Corporate Governance

FOR independent boards, separation of CEO and Chairman roles, increased diversity and engaged board members

PARNASSUS PRIVACY POLICY

Parnassus is committed to maintaining the confidentiality, integrity and security of personal information entrusted to us by current and potential financial service customers. We have always treated personal information as confidential and want you to be aware of our privacy policies. This policy applies to Parnassus Investments and the Parnassus Funds (collectively, “Parnassus”).

What Information We Collect

We may collect and maintain the following nonpublic personal information about you:

- information we receive from you on applications or other forms, such as your name, address, e-mail address, phone number, social security number, assets, income and date of birth; and
- information about your transactions with us, our affiliates or others, such as your account number, balance, positions, activity, history, cost basis information and other financial information.

What Information We Disclose

We do not disclose any nonpublic personal information about our customers or former customers to any third parties, except as permitted or required by law. We are permitted by law to share any of the information we collect, as described above, with our affiliates. Parnassus will share information with affiliates if the information is required to provide a product or service you have requested. In addition, we may share such information with nonaffiliated third parties to the extent necessary to effect, process, administer or enforce a transaction that you request or authorize, in connection with maintaining or servicing your account, as requested by regulatory authorities or as otherwise permitted or required by law. For example, we may provide such information to third parties in the course of servicing your account, such as identity-verification service providers. We may also disclose information to nonaffiliated parties if compelled by law, such as responding to a subpoena, preventing fraud or complying with an inquiry by a government agency or regulator.

How We Protect Your Information

We restrict access to nonpublic personal information about you to those employees who need to know that information to provide products or services to you. We maintain physical, electronic and procedural safeguards that comply with federal standards to protect the confidentiality, integrity and security of your nonpublic personal information.

We will continue to adhere to the privacy policies and practices in this notice even if your account is closed or becomes inactive.

Additional Rights

You may have other privacy protections under applicable state laws. To the extent those state laws apply, we will comply with them with respect to your nonpublic personal information.

How to Contact Us

Please call us at (415) 778-0200 if you have any questions regarding our privacy policy.