

Parnassus Endeavor Fund Commentary

Third Quarter 2019

Ticker: Investor Shares - PARWX

Ticker: Institutional Shares - PFPWX

As of September 30, 2019, the net asset value per share ("NAV") of the Parnassus Endeavor Fund - Investor Shares was \$34.99, so the total return for the quarter was 2.43%. This compares to a gain of 1.70% for the S&P 500 and 0.91% for the Lipper Multi-Cap Core Funds Average, which represents the average return of the multi-cap core funds followed by Lipper ("Lipper average"). For the year-to-date, the Parnassus Endeavor Fund - Investor Shares is up 21.20%, compared to a gain of 20.55% for the S&P 500 and 18.50% for the Lipper average. We're ahead of both benchmarks for both the quarter and the year-to-date.

Below you will find a table comparing the returns of the Parnassus Endeavor Fund with the S&P 500 and the Lipper average for the one-, three-, five- and ten-year periods. Because of our difficulty in the second half

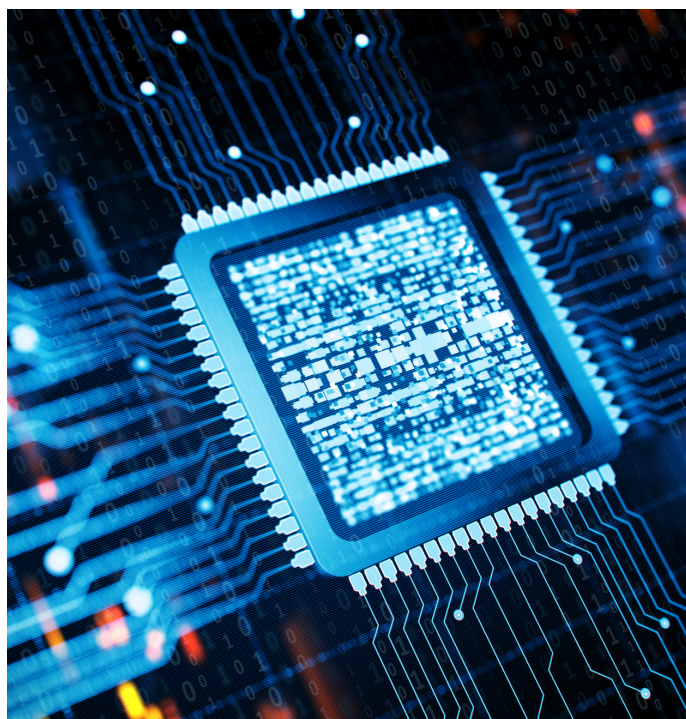
Average Annual Total Returns (%)¹

	1Y	3Y	5Y	10Y	Gross Expense Ratio	Net Expense Ratio
PARWX	0.42	10.48	11.08	13.66	0.95	0.95
PFPWX	0.73	10.73	11.30	13.77	0.72	0.72
S&P 500 Index	4.25	13.39	10.84	13.24	—	—
Lipper Multi-Cap Core Funds Average	1.57	10.94	8.21	11.12	—	—

¹As of September 30, 2019.

*For this report, we quote total return to the portfolio, which includes price change and dividends.

The average annual total return for the Parnassus Endeavor Fund - Institutional Shares from commencement (April 30, 2015) was 10.19%. Performance shown prior to the inception of the Institutional Shares reflects the performance of the Parnassus Endeavor Fund - Investor Shares and includes expenses that are not applicable to and are higher than those of the Institutional Shares. The performance of the Institutional Shares differs from that shown for the Investor Shares to the extent that the classes do not have the same expenses. **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. 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 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.



of 2018, our performance for the one- and three-year periods does not look very good. Longer-term, though, we're ahead of both the S&P 500 and the Lipper Average.

Third Quarter Review

There were three stocks that each reduced the Fund's return by 40 basis points or more. (One basis point is 1/100th of one percent.) Four stocks increased the Fund's return by at least that amount.

Our worst performer was Regeneron Pharmaceuticals. It reduced the Fund's returns by 61 basis points as the stock sank 11.4% from \$313.00 to \$277.40.* Regeneron is a biotechnology company that focuses on treatments for eye and heart diseases, cancer and inflammation. Its blockbuster drug, Eyelea, continues to face pressure from both Novartis's impending drug approval in late 2019, as well as generic competition in 2023. These concerns are somewhat mitigated by the strong commercial launch and expanded indications for Dupixent, Regeneron's drug for adolescent eczema. We believe Regeneron continues to have a strong pipeline with its launch of Dupixent and recent approval for Praluent, a drug that reduces the risk of heart attacks.

Hanesbrands, a leading manufacturer of undergarments and athletic apparel, subtracted 46 basis points from the Fund's return, as its stock fell 11.0% from \$17.22 to \$15.32. The company's U.S. innerwear segment, its highest-margin business, continued to navigate a challenging retail environment amid further risks of department store closures and bankruptcies. Management seems not yet ready to commit to a turnaround and expects U.S. innerwear segment sales to decline 2% this year. Investors were also concerned about the sustainability of Champion's growth, as the brand posted global sales growth of more than 50% over the last trailing twelve months.

Alliance Data Systems, the leading private-label credit card issuer, sliced 43 basis points from the Fund's return, as the stock fell 8.6% from \$140.13 to \$128.13. The stock dropped after the company completed a tender offer at \$148.50 for 10% of its shares outstanding, or 5.1 million shares. The offer was oversubscribed, with 12.1 million shares tendered, so disappointed shareholders were left with 7 million shares to sell on the open market. We suspect many of these were held by short-term traders hoping for a quick return from the tender offer, who dumped their shares when that strategy failed. Now that the tender offer is behind us, investors will focus on the turnaround

led by new CEO Melisa Miller. Miller is divesting non-core segments and pruning struggling mall-based apparel retailers from the portfolio to focus on its faster-growing verticals like beauty, home furnishing and travel. We expect our upside to be significant, as she looks to return Alliance Data to its historical double-digit revenue growth rate and a greater-than-30% return on equity.

Our biggest winner this quarter was Lam Research Corp. It added 130 basis points to the Fund's return as the stock rose from \$187.84 to \$231.11 for a 23.7% total return. Lam Research makes equipment used to produce memory chips and other semiconductors. Lam beat quarterly earnings expectations despite the weak memory chip market, suggesting that a trough in the cycle may be near. The company continues to execute well in the memory chip downturn and remains positioned for an anticipated memory chip recovery in 2020.

Applied Materials added 96 basis points to the Fund's return, as the stock rose from \$44.91 to \$49.90 for a total return of 11.6%. This leading semiconductor fabrication equipment and software provider posted solid quarterly earnings, reiterating 2019 demand guidance and conveying optimism for a 2020 recovery in both semiconductors and display. Applied's strong results helped solidify investor sentiment that we may be near the semiconductor cycle trough. Additionally, the company's well-regarded deal for Japanese semiconductor-manufacturing equipment maker Kokusai Electric remains on track for a 2020 close, a milestone that should extend Applied's global reach.

Micron Technology added 77 basis points to the Fund's return, as its stock climbed from \$38.59 to \$42.85 for a total return of 11.0%. The company makes dynamic random-access memory (DRAM) chips and other types of memory semiconductors used in PCs, smartphones and data servers. The industry continues to experience pricing pressure due to excess supply, but Micron has outperformed as a result of improved guidance and the company's efforts to reduce industry overcapacity. Management believes 2020 will be an inflection point, when high-teens growth in industry demand will finally

Ten Largest Holdings^{2,3}

Applied Materials	8.0%
Micron Technology	7.3%
Lam Research Corp.	5.8%
Perrigo Co. PLC	5.5%
Charles Schwab Corp.	5.1%
NVIDIA Corp.	5.1%
The Gap Inc.	4.8%
Regeneron Pharmaceuticals Inc.	4.6%
IBM Corp.	4.3%
Cummins Inc.	4.1%
Total	54.6%

²As of September 30, 2019.

³As a percentage of total net assets.

Holdings and allocations are subject to change.

outpace mid-teens growth in industry supply. We still like Micron and expect near-term enterprise and cloud demand, as well as long-term demand from datacenters and the Internet of Things (IoT) to sustain Micron’s sales for years to come.

Perrigo, the leading producer of store-brand generic drugs and consumer health products, contributed 77 basis points to the Fund’s return as the stock rose from \$47.62 to \$55.89 for a total return of 17.9%. Investors have reacted positively to new CEO Murray Kessler’s restructuring of Perrigo into a pure-play consumer, self-care franchise. The company successfully closed its acquisition of Ranir, a private-label oral self-care producer. Perrigo continues to be an execution story, as it looks to divest its underperforming prescription pharmaceuticals business and pursue smaller self-care acquisitions.

Outlook and Strategy

Stocks gained just under 2% in the third quarter, but for the year-to-date, the S&P 500 is up over 20% for its best year-to-date performance since 1997. This extends the longest bull market on record, so times are good for stockholders. However, the positive results mask significant uncertainties in the global economy for which there are no easy answers. Let’s look a little deeper into the current situation.

The U.S. economy is strong, but slowing. The labor market is near full employment, and inflation is just under the Fed’s target of 2%. This means everyday consumers have jobs and money to spend. Consumer spending makes up almost two-thirds of U.S. GDP, so stocks are higher in part because U.S. households are in good shape and confident about the future. A key question is how long this can continue. Measures of manufacturing activity in recent months dropped unexpectedly, and the contraction could be enough to tip the economy into recession if declines worsen.

The reason for the slowdown in manufacturing is trade tensions with China. Throughout the summer, the U.S. and China exchanged barbs and used pressure tactics to improve their negotiating positions ahead

Sector Weighting^{4,5}

	● PARWX	● S&P 500 Index
Information Technology	45%	22%
Health Care	21%	14%
Financials	9%	13%
Consumer Discretionary	9%	10%
Industrials	9%	9%
Communication Services	1%	10%
Consumer Staples	0%	8%
Energy	0%	5%
Materials	0%	2%
Real Estate	0%	3%
Utilities	0%	4%
Short-Term Investments	6%	0%

⁴As of September 30, 2019.
⁵As a percentage of total net assets.

of upcoming trade talks. Meanwhile, leaders of both countries face opposition at home, with Congress launching an impeachment inquiry into President Trump, and protestors in Hong Kong defying Xi Jinping’s grip on the region. No one knows exactly how these tensions will play out or how long it will take. Whenever the trade war escalates, stocks retreat, but they could quickly rally if there is progress towards an agreement.

Given the dark clouds, what are the reasons to own stocks today? The U.S. economy is in a good place, especially compared to the rest of the world, where growth is slowing even faster. Compared to the last major downturn in 2007, there don’t appear to be any large-scale excesses in the financial system right now. The housing market remains healthy. Finally, if there is a recession, we believe it should be a mild one, since the Fed is committed to keeping the economy going strong by cutting rates further.

The Endeavor Fund buys stocks when their prices are down, so we find some of our best ideas amid uncertainty like today’s. As one example, four of the Fund’s largest holdings – Applied Materials, Micron Technology, Lam Research and NVIDIA – are semiconductor companies, three of which we started buying when U.S.-China tensions forced down their

market quotations dramatically at the end of 2018. One year later, each of the four stocks is among our top-five contributors to the Fund's return for the quarter. We select all the stocks in our portfolio, looking for good companies that are temporarily out of favor.

Thank you for your investment in the Endeavor Fund.

Yours truly,



Jerome L. Dodson

Billy Hwan

Lead Portfolio Manager

Portfolio Manager

*Price/Earnings (P/E) Ratio is a ratio of a stock's current price to its per-share earnings over the past 12 months (or "trailing" 12 months).

Mutual fund investing involves risk, and loss of principal is possible. 0140-101719.

The Parnassus Funds are distributed by Parnassus Funds Distributor, LLC.

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.