

First Quarter 2010

All information, unless otherwise indicated, is as of 3/31/2010

Firm Overview

Parnassus Investments[®] is an independent and employee-owned investment management company based in San Francisco, CA. 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. Founded in 1984, we believe the most attractive opportunities for investments are when companies with good business fundamentals become temporarily undervalued.

Total Assets Under Management: \$3.8 billion

Investment Philosophy

Our investment philosophy is to own good businesses at reasonable prices. We believe that fundamental research combined with macroeconomic analysis is the most effective way to identify attractive investments over a three-year investment horizon.

Objective

Capital appreciation

Strategy

We invest principally in equity securities of all market capitalizations. We follow a "contrarian" strategy of seeking to invest in stocks that are currently out of favor with the financial community. We target the most attractive and undervalued opportunities strictly from a bottom-up perspective with the goal of long term appreciation of capital.

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 domestic 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.

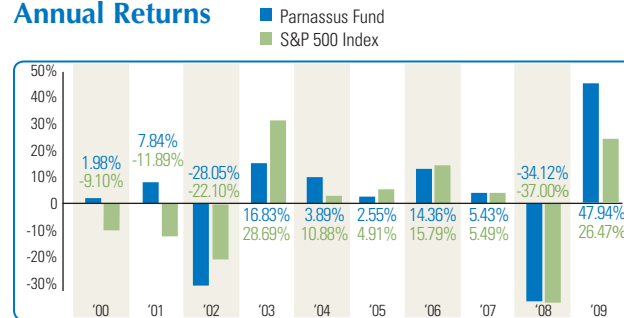
Total Returns

As of 3/31/2010	3 Mo.	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception 12/31/84	Gross Expense Ratio ^(a)	Net Expense Ratio ^(a)
Parnassus Fund	7.12%	60.45%	60.45%	2.94%	5.75%	-0.21%	9.36%	1.02	0.99
S&P 500 Index	5.39%	49.77%	49.77%	-4.17%	1.92%	-0.65%	10.65%	NA	NA

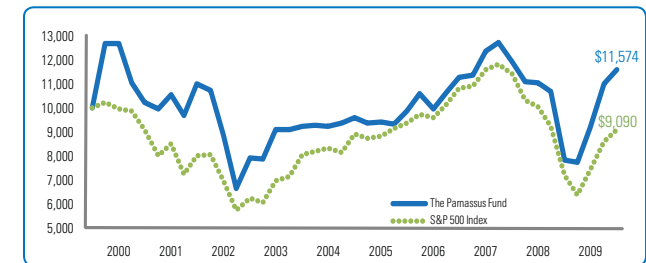
All returns greater than one year are annualized.

^(a) Expense ratios include gross expenses and expenses net of contractual waivers as described in the Fund's current prospectus dated May 1, 2009. Parnassus Investments is contractually obliged to limit the total operating expenses to 0.99% through May 1, 2010, for the Parnassus Fund, exclusive of acquired fund fees.

Annual Returns



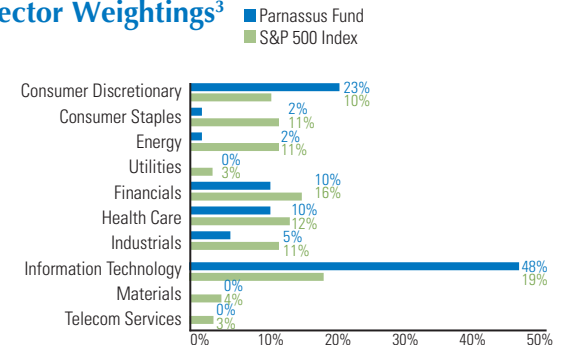
Annual Growth of \$10,000¹



Ten Largest Holdings²

Qualcomm Inc.	5.0%
Applied Materials Inc.	4.6%
Lowe's Co.	4.2%
CIENA Corp.	4.0%
DR Horton Inc.	3.8%
Pulte Homes Inc.	3.8%
Teleflex Inc.	3.7%
Traget Corp.	3.7%
Wells Fargo & Co.	3.7%
Verisign Inc.	3.5%
Total	40.0%

Sector Weightings³



¹The chart shows the growth of a hypothetical \$10,000 investment over the last 10 years and does not reflect the deduction of taxes a shareholder would pay on fund distributions or the redemption of fund shares.

²Percent based on total net assets as of date indicated.

³Excluding cash and cash equivalents.

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 Investments website (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.

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

Parnassus Fund

First Quarter 2010

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Portfolio Manager Commentary

Eight companies contributed the most to our strong performance during the quarter, with each one adding 16¢ or more to the NAV. Only one company had a significantly negative impact on the Fund, and that was W&T Offshore, an independent oil and gas exploration and production company. Its stock dropped 28.2% from \$11.70 to \$8.40, reducing the value of each Parnassus share by 23¢. While the company reported improved profitability, management lowered expectations for revenue growth in 2010, because of weak natural gas prices and ramp-up delays with one of its deep-water projects. W&T has strong liquidity, so it should be able to make acquisitions at bargain prices and increase revenue and production when natural gas prices rebound. For these reasons, we'll continue to hold the stock.

Of the eight companies that helped us the most, three are homebuilders, one provides telecommunications equipment, one is a for-profit college, one makes medical products, one is a bank and the other provides design software for architects and engineers. There was a lot of diversity among our best-performing stocks.

The stock that helped us the most during the quarter was Ciena, a manufacturer of equipment to speed transmissions along fiber-optic telephone lines. The stock soared 40.6% from \$10.84 to \$15.24, adding 44¢ to each fund share. Ciena recently acquired the optical equipment assets of Nortel Networks, the Canadian telecommunications company that went bankrupt last year. This will give Ciena increased market share, economies of scale and a dominant position in the market for telecommunications equipment and Ethernet networks. The company also said that sales trends were improving for optical equipment.

Bridgepoint Education, a for-profit college offering on-line courses, added 26¢ to the NAV, climbing from \$15.02 to \$24.58 for a gain of 63.7%. For 2009, the company had revenue growth of 108%, and management indicated that revenue growth would continue to be strong in 2010.

Teleflex makes a broad array of components for medical equipment, and its stock rose 18.9% during the quarter, going from \$53.89 to \$64.07 and contributing 23¢ to each Parnassus share. Early in the year, management announced strong earnings and revenue growth. The company also increased

operating margins through factory consolidation and other cost-cutting measures.

Homebuilder DR Horton rose 15.9% from \$10.87 to \$12.60 for an increase of 21¢ on the NAV. After almost two years of losses, the company turned profitable in the fourth quarter of 2009, as a result of higher sales and better cost controls. DR Horton specializes in entry-level homes, so it was able to take advantage of government-sponsored housing programs and appeal to buyers who could use the first-time home-buyer tax credit.

San Francisco-based Wells Fargo bank saw its stock increase 15.3% from \$26.99 to \$31.12 for a gain of 19¢ for each Parnassus share. Wells Fargo came through the financial crisis in fine shape, enabling it to post strong earnings.

Autodesk, the leading provider of design software for architects and engineers, added 17¢ to each fund share, as its stock price rose 15.8% from \$25.41 to \$29.42. Sales are improving as professionals start to buy design software in anticipation of increased construction activity. The company has also done a good job controlling costs.

For a full recap and strategy outlook please reference the March 31, 2010 Shareholder Report.

Portfolio Manager Background

Jerome L. Dodson founded Parnassus Investments in 1984. He is the President of Parnassus Investments and Portfolio Manager of the Parnassus Fund, Parnassus Small-Cap Fund, and Parnassus Workplace Fund. Prior to founding Parnassus Investments he served as President and Chief Executive Officer of Continental Savings of America from 1976 to 1982 where he started the "Solar T-Bill" program to finance solar energy installations and also developed innovative programs to finance low and moderate income housing. Mr. Dodson received his bachelor's degree in political science from the University of California, Berkeley and received his master's degree in business administration from Harvard Business School.

Fund Facts

Ticker	PARNX
CUSIP	701765109
Minimum Investment	\$2,000
Gross Expense Ratio	1.02%
Net Expense Ratio	0.99%
Inception Date	12/31/1984

Fund Manager Since December 1984	Jerome L. Dodson
Lipper Category	Multi-Cap Core
Morningstar Category	Large Cap
Distribution Frequency	Annually
Total Net Assets	\$399.4MM

*Expenses based on total net assets, net of reimbursement.

Fund Characteristics

	Fund	S&P 500 Index
Ave Weighted Mkt Cap (\$Bn)	\$40.1	\$81.6
P/E Ratio	28.1x	25.5x
P/B Ratio	2.4x	2.2x
Number of Holdings	42	500
Portfolio Turnover (2009 Annual)	53.2%	NA

Fund Statistics (3 year)

	Fund	S&P 500 Index
Alpha	8.93%	0.00
Beta	1.15	1.00
R-Squared	0.85	1.00
Sharpe Ratio	0.05	-0.30
Standard Deviation	25.46%	20.37%
Downside Risk	17.52%	15.94%
Tracking Error	10.45%	NA

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 (or "trailing" 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 of 1.00 means that the share price moves exactly in line with the market. A beta over 1.00 suggests that

the share price will typically be more volatile than the market, and conversely, a beta below 1.00 indicates that the share price will typically be less 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 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. **Downside Risk** is a statistical measurement of a portfolio's dispersion below the mean return of a benchmark. **Tracking Error** is the standard deviation of the difference between the portfolio return and the desired investment benchmark return.

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