

# Parnassus Workplace Fund®

## 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 companies with outstanding workplaces trading below their intrinsic value. The philosophy behind the Fund is that companies whose employees enjoy going to work will do better than companies with poor workplaces. We conduct our own fundamental research to identify companies that meet our criteria. Additionally, we leverage outside sources such as the annual Fortune magazine survey, "The 100 Best Companies to Work For," and the annual Working Mother magazine survey, "The 100 Best Companies for Working Mothers."

### 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 assets 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.

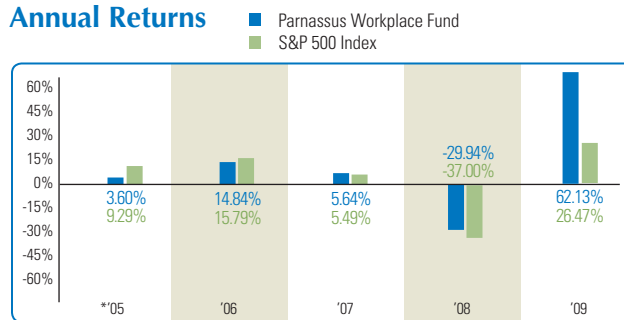
### Total Returns

As of 3/31/2010	3 Mo.	YTD	1 Year	3 Year	5 Year	Since Inception 4/29/05	Gross Expense Ratio <sup>(a)</sup>	Net Expense Ratio <sup>(a)</sup>
Parnassus Workplace Fund	3.86%	3.86%	69.21%	7.76%	NA	8.33%	2.34	1.21
S&P 500 Index	5.39%	5.39%	49.77%	-4.17%	NA	2.35%	NA	NA

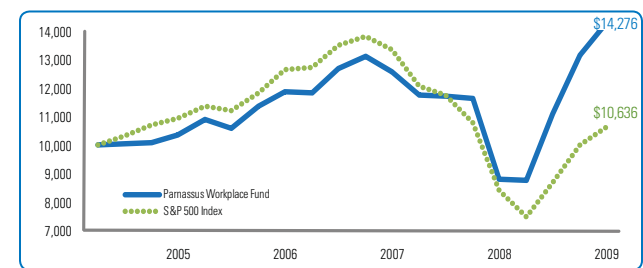
All returns greater than one year are annualized.

<sup>(a)</sup>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 1.20% through May 1, 2010, for the Parnassus Workplace Fund, exclusive of acquired fund fees.

### Annual Returns



### Annual Growth of \$10,000<sup>1</sup>



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

QUALCOMM Inc.	7.2%
Applied Materials Inc.	4.5%
eBay Inc.	4.3%
IBM Corp.	4.2%
Medtronic Inc.	4.0%
Corning Inc.	4.0%
Yahoo Inc.	3.9%
Intel Corp.	3.8%
Cisco Systems Inc.	3.8%
Genzyme Corp.	3.8%
<b>Total</b>	<b>43.5%</b>

<sup>1</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.

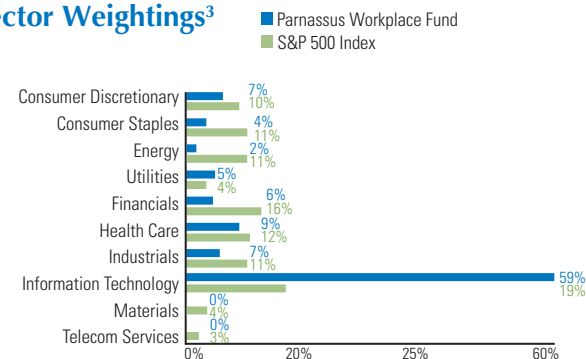
<sup>2</sup>Percent based on total net assets as of date indicated.

<sup>3</sup>Excluding cash and cash equivalents.

<sup>4</sup>Data since inception on 4/29/05.

Performance data quoted represents 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](http://www.parnassus.com)). Investment return and principal will fluctuate, so that an investor's shares,

### Sector Weightings<sup>3</sup>



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](http://www.parnassus.com), or by calling (800) 999-3505.**

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### Portfolio Manager Commentary

The Fund is ahead of all its benchmarks for all time periods. Especially noteworthy is the three-year number, with the Fund earning an average of 7.76% per year while the S&P 500 Index had a negative return of 4.17% per year. For that time period, then, the Fund has beaten the S&P 500 Index by almost 12 percentage points per year. This is certainly an indication that investing in companies that are great places to work can produce excellent investment returns.

Five companies contributed the most to the Fund's performance during the quarter, with each adding 7¢ or more to each fund share. No company had a significant negative impact during the quarter. The reason the Fund underperformed for the first quarter is not because our companies did poorly, but because they didn't go up as much as the averages. The companies in the Parnassus Workplace Fund did so well over the past three years, they were already at fairly high levels compared to the averages, and the average company caught up somewhat during the quarter. As our companies approach full valuation, we will sell them and invest in new companies that are undervalued. I'll do my best to keep the Parnassus Workplace Fund performing at a high level.

The stock that helped the most during the quarter was SEI Investments. Like Parnassus Investments, the company is an asset manager, but it also provides accounting, software and transfer agent services for mutual funds and other money managers. SEI contributed 14¢ to each fund share during the quarter, as its stock climbed 25.4% from \$17.52 to \$21.97. There are two main reasons the stock climbed higher. First, much of the company's revenue is based on assets under administration, so as the stock and bond markets climbed higher, SEI's revenue increased. Second, the company was able to reduce expenses, because much of its investment in new software systems had been completed.

On-line auctioneer eBay saw its stock increase by 14.5% from \$23.54 to \$26.95 for an addition of 13¢ per fund share. The company's marketplace business has improved and its PayPal unit for on-line transactions has had an even bigger improvement.

Autodesk, the leading provider of design software for architects and engineers, contributed 8¢ to each fund share, as its stock climbed 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 with cost control.

Tractor-maker Deere & Co. saw its stock rise 9.9% from \$54.09 to \$59.46, resulting in a contribution of 8¢ to the NAV. Order growth for agricultural equipment has been stronger than expected, and the outlook for 2010 and 2011 is excellent as the economy comes out of the recession.

Intel's stock increased 9.1% during the first quarter from \$20.40 to \$22.26, adding 7¢ to the NAV. In January, the company reported impressive financial results, driven by 13% quarterly revenue growth and record-high gross margins of 64.7%. The surprise in revenue growth came primarily from microprocessors and chipset sales. Increases in selling prices and factory utilization helped gross margins.

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	PARWX
CUSIP	701765869
Minimum Investment	\$2,000
Gross Expense Ratio	2.34%
Net Expense Ratio	1.21%
Inception Date	4/29/2005

Fund Manager Since April 2005	Jerome L. Dodson
Lipper Category	Multi-Cap Core
Morningstar Category	Large Growth
Distribution Frequency	Annually
Total Net Assets	\$122.5MM

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

### Fund Characteristics

	Fund	S&P 500 Index
Ave Weighted Mkt Cap (\$Bn)	\$47.3	\$81.6
P/E Ratio	29.2x	25.5x
P/B Ratio	2.8x	2.2x
Number of Holdings	39	500
Portfolio Turnover (2009 Annual)	32.7%	NA

### Fund Statistics (3 year)

	Fund	S&P 500 Index
Alpha	13.62%	0.00
Beta	1.13	1.00
R-Squared	0.89	1.00
Sharpe Ratio	0.25	-0.30
Standard Deviation	24.43%	20.37%
Downside Risk	15.52%	15.94%
Tracking Error	8.51%	NA

<sup>1</sup>Percent based on total net assets as of date indicated. **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.

## PARNASSUS INVESTMENTS

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