

Parnassus Fixed-Income FundSM

First Quarter 2012

All information, unless otherwise indicated, is as of 3/31/2012

Firm Overview

Parnassus Investments[®] is an independent and employee-owned investment management company based in San Francisco, CA. Founded in 1984, the firm seeks to invest in businesses that have increasingly relevant products or services, sustainable competitive advantages, quality management teams and ethical business practices. We believe the most attractive opportunities for investments are when companies with good business fundamentals become temporarily undervalued due to market sentiment.

Total Assets Under Management: \$6.1 billion

Investment Philosophy

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

Objective

Preservation of capital and current income

Strategy

The Fund's strategy is U.S. fixed-income intermediate government/credit and it invests principally in investment-grade debt securities including U.S. government obligations, corporate bonds and convertible bonds. Under normal circumstances, we expect to maintain an overall dollar-weighted average effective duration comparable to the benchmark. We actively invest at least 65% of the Fund's total net assets in fixed-income securities that are rated "A" or better by Standard & Poor's Rating Group, and at least 80% in fixed-income securities with investment-grade ratings (i.e., rated at least BBB- or better). The Fund also takes environmental, social and governance factors into account in making investment decisions.

Risks

Bond fund values fluctuate in response to the financial condition of individual issuers, general market and economic conditions, and changes in interest rates. In general, when interest rates rise, bond fund values fall and investors may lose principal value. Security holdings in the Fund can vary significantly from broad market indexes.

Total % Returns

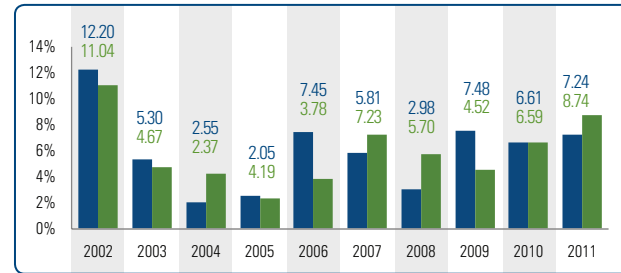
As of 3/31/2012	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 8/31/92	Gross Expense Ratio ^(a)	Net Expense Ratio ^(a)
Parnassus Fixed-Income Fund	-0.86	-0.86	6.12	6.87	5.67	5.75	5.97	0.83	0.75
Barclays Capital U.S. Govt/Credit Bond Index	0.08	0.08	8.53	7.08	6.25	5.91	6.39	NA	NA

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, 2011. Parnassus Investments is contractually obliged to limit the total operating expenses to 0.75% through May 1, 2012, for the Parnassus Fixed-Income Fund, exclusive of acquired fund fees.

Annual % Returns

■ Parnassus Fixed-Income Fund
■ Barclays Capital U.S. Govt/Credit Bond Index



Maturity Diversification

Years to Maturity	Parnassus Fixed-Income Fund	Barclays Capital U.S. Govt/Credit Bond Index
0 - 5 Years	45.7%	53.8%
5 - 10 Years	37.6%	27.5%
Over 10 Years	16.7%	18.7%

Quality Ratings¹

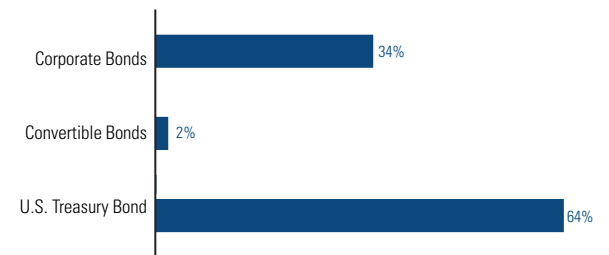
U.S. Gov't/Agency	64.4%
AAA	0.0%
AA	5.0%
A	17.0%
BBB	12.0%
BB	0.5%
B	1.1%
Below B	0.0%
Not Rated/Unavailable	0.0%

¹Quality Ratings for all securities except for those labeled "U.S. Gov't/Agency" are stated as Standard & Poor's ("S&P") ratings for consistency in reporting. S&P is a Nationally Recognized Statistical Rating Organization ("NRSRO"), as are Moody's and Fitch. For securities rated only by an NRSRO other than S&P, the Adviser converts that rating to the equivalent S&P rating. S&P ratings range from AAA (highest) to D (lowest). If NRSRO ratings differ, the security will be considered to have received the highest of those ratings. Securities not rated by an NRSRO appear in the "Not Rated/Unavailable" category. Ratings are subject to change.

²Percent of long-term securities

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 website (www.parnassus.com). Investment return and principal will fluctuate, so that an investor's shares, when redeemed, may be worth

Portfolio Composition²



more or less than their original principal cost. The Barclays Capital U.S. Government/Credit Bond Index is a widely recognized index of fixed-income security 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.

The Parnassus Funds are underwritten and distributed by Parnassus Funds Distributor, a subsidiary of Parnassus Investments and a FINRA member.

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

Parnassus Fixed-Income Fund

First Quarter 2012

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Portfolio Manager Commentary & Outlook

As of March 31, 2012, the total return of Parnassus Fixed-Income Fund for the quarter, after taking dividends into account, was a loss of 0.86%. This compares to a gain of 0.08% for the Barclays Capital U.S. Government/Credit Bond Index ("Barclays Capital Index").

U.S. equity markets had one of their best first quarter returns of the past decade. Data on retail sales, employment and housing largely exceeded expectations, providing support to the view that U.S. economic growth is accelerating. The situation in Europe also appears to be stabilizing. The European Central Bank's liquidity injections and a successful debt swap agreement in Greece eased investors' fears of a potential European banking crisis.

As a result, stocks, corporate bonds and other riskier assets performed significantly better than safer securities, such as Treasury bonds. During the first quarter, interest rates moved higher, especially for long-dated Treasury bonds. The yield on the 10-year Treasury bond increased 33 basis points (one basis point equals 0.01%) to 2.21%, while the 30-year bond yield finished the first quarter up 44 basis points to 3.34%.

U.S. Treasuries were down 1.02% in the first quarter, with long-dated bonds suffering larger losses than short-dated bonds. Treasury bonds with a maturity greater than 20 years declined 6.61%, compared to a loss of only 0.11% for bonds with maturities between one and five years. In contrast, signs of strength in the economy boosted the returns for corporate bonds and commercial mortgage-backed securities (CMBS). During the first quarter, corporate bonds returned 2.08% and CMBS gained 3.46%. I didn't invest in CMBS during the quarter because I think that the current yields on CMBS don't offer adequate compensation for risks. For now, I prefer to wait for more attractive potential returns.

For the quarter, the Fund trailed the Barclays Capital Index by 94 basis points. As of the end of the first quarter, the Fund had a similar percentage of total net assets invested in Treasury bonds compared to the Barclays Capital Index. However, the duration of our Treasury bonds was 7.3 years, which is longer than the duration of 5.6 years for the Treasury bond holdings of the index. This means that our Treasury bond prices were more sensitive to the changes in higher interest rates. Consequently, the Fund's Treasury holdings suffered greater losses relative to the Barclays Capital Index.

While U.S. economic momentum was stronger than I anticipated in the first quarter, unusually warm weather in the U.S. may have distorted some of the early year data. According to the National Oceanic and Atmospheric Administration, average temperatures for December, January, and February were the fourth highest since national data were recorded in 1890. As a result, this unseasonably warm weather likely pulled certain spending and projects earlier into the year. This means that this shift might lead to softer economic activities in the coming quarters.

More importantly, there may be some early signs of slower growth ahead. In the last few weeks of the first quarter, economic data surprises have been less positive, with worrying signs in durable goods and other manufacturing data. In particular, three regional Federal Reserve Banks published much weaker than anticipated March manufacturing activity, with poor readings in the sub-index for new orders.

I think that the markets may have overreacted to the better data, which could end up being a temporary blip rather than an improving trend. In my opinion, the sustainability of the recent positive economic trend is questionable. There are still plenty of risk factors that could derail the current general positive sentiment. These include slowing economic growth in China, the ongoing European recession, corporate profit margins peaking, and numerous fiscal austerity measures holding back private spending.

For the rest of the year, I think that the most likely scenario is that U.S. economic growth will decelerate more than previously anticipated. In such a scenario, interest rates would likely move lower, which would benefit Treasury bonds.

For a full recap and strategy outlook, please reference the March 31, 2012 Shareholder Report.

Portfolio Manager Background

Minh Bui is the Portfolio Manager of the Parnassus Fixed-Income Fund and a Senior Research Analyst. He joined Parnassus Investments as a Research Analyst in 2005 and was previously a Parnassus research intern. His prior experience includes work at Lombard Odier & Cie, a private bank in Geneva, and at Merriman, Curhan Ford & Co., an investment firm in San Francisco. Mr. Bui received his bachelor's degree in business administration from the University of Lausanne, Switzerland and his master's degree in business administration from Golden Gate University.

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 Lehman Aggregate Bond 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.

Fund Facts

Ticker	PRFIX
CUSIP	701769200
Minimum Investment	\$2,000
Gross Expense Ratio	0.83%
Net Expense Ratio	0.75%
Inception Date	8/31/1992
Fund Manager Since May 2008	Minh T. Bui
Fund Strategy	Intermediate Government/Credit
Lipper Category	Corporate Debt A-Rated
Distribution Frequency	Monthly
Total Net Assets	\$212.7MM
* Expenses based on total net assets, net of reimbursement.	

Fund Characteristics

	Fund	Barclays Capital U.S. Govt/Credit Bond Index
Number of Holdings	54	5,782
Portfolio Turnover (2011 Annual)	29.3%	NA
Average Maturity (Years)	7.26	8.07
Average Duration (Years)	5.62	5.82
SEC 30-Day Yield ¹	0.68%	NA
Unsubsidized SEC 30-Day Yield ²	0.68%	NA

Fund Statistics (5 year)

	Fund	Barclays Capital U.S. Govt/Credit Bond Index
Alpha	1.13%	0.00%
Beta	0.72	1.00
R-Squared	0.86	1.00
Sharpe Ratio	1.31	1.15
Standard Deviation	3.52%	4.50%
Downside Risk	1.75%	2.23%
Tracking Error	1.83%	NA

¹The 30-Day SEC Yield is computed under an SEC standardized formula based on net income earned over the past 30 days. It is a "subsidized" yield, which means it includes contractual expense reimbursements and it would be lower without those reimbursements.

²The Unsubsidized 30-Day SEC Yield is computed under an SEC standardized formula based on net income earned over the past 30 days. It excludes contractual expense reimbursements, resulting in a lower yield.

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

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