

PARNASSUS FUNDS®

1 Market Street | Suite 1600 | San Francisco, CA 94105 | (415) 778-0200
www.parnassus.com

January 23, 2012

Dear Shareholder:

You may now view online your IRS Form 1099-DIV for tax year 2011. This 1099-DIV will reflect the income dividend and capital gain you may have received, and you should use it in preparing your 2011 tax return.

All Parnassus Funds declared long-term capital gains, which were distributed on November 18, 2011 to shareholders of record as of November 17, 2011. Year-end income dividends on all Parnassus Funds were distributed on December 28, 2011 to shareholders of record as of December 27, 2011. The distributions were as follows:

<u>Fund</u>	<u>Income Dividend</u>	<u>Short-term Cap Gain</u>	<u>Long-term Cap Gain</u>
Parnassus Fund	\$0.1225	None	\$3.0190
Parnassus Equity Income Fund - Investor	\$0.0837	None	\$0.4465
Parnassus Equity Income Fund - Institutional	\$0.0997	None	\$0.4465
Parnassus Mid-Cap Fund	\$0.1313	None	\$1.0007
Parnassus Small-Cap Fund	\$0.0011	None	\$0.6831
Parnassus Workplace Fund	\$0.0530	None	\$0.7648
Parnassus Fixed-Income Fund	\$0.0289	None	\$0.2365

A mutual fund's dividend is a payout of the year's income and capital gains for tax purposes. The net asset value per share (NAV) of the Fund is lowered by the exact amount of the dividend on the payable date. The decline in the NAV is not a real economic loss since the difference is made up either by new shares added to your account if you reinvest dividends or by a cash payout. Unless your account is in an IRA account, income dividend and capital gain distributions are taxable. Regardless of whether the dividend was paid to you in cash or in additional shares, there is no difference for tax purposes. If you chose to receive cash, you have already received your distribution. If you chose to reinvest dividends, they have been credited to your account.

Income from dividend-paying stocks held in the funds for longer than 60 days is taxed at a different rate than other income. This income is known as Qualified Dividend Income (QDI). Your 1099-DIV form shows the amount of income generated as QDI in box 1b of your tax form.

If you sold shares during the year, we will also mail your 1099-B and an average cost statement to help in reporting your capital gain. The average cost statement calculates the gain or loss using the average cost – single category method of accounting. This is one of three available for calculating the cost basis of your shares. A shareholder is not required to use this statement or the average cost method of calculating cost basis.

Sincerely,



William Fraser
Director of Shareholder Services