Separate Account Managers in Sustainable and Responsible Investing

Parnassus Core Equity

About This Strategy

Assets Under Management (AUM): $9769.65M (in US$ millions)

Required Minimum: $25 million

Benchmark used: S&P 500 Composite Total Return

Strategy type: Equity Large Cap

Strategy description: The Parnassus Core Equity strategy is a fundamental, U.S., large-cap, core equity strategy. The strategy invests principally in undervalued equity securities of large-capitalization companies. At least 75% of the portfolio’s total assets will be invested in equity securities that pay dividends. The remaining 25% may be invested in non-dividend-paying equity securities. The strategy also takes environmental, social and governance factors into account in making investment decisions. The investment philosophy is to own good businesses at reasonable prices. First, the company’s products or services have to be more relevant in the economy five years from now than they are today. Second, the company must have a sustainable competitive advantage. Third, the company has to be run by quality management teams with appropriate incentives. Once the investment team determines that a company’s intrinsic value is increasing, the investment team performs a detailed valuation which results in a probability-weighted, multi-scenario, three-year price target for the stock. The portfolio manager buys a stock when the price yields an acceptable, risk-adjusted, expected internal rate of return.

Strategy web link: External Link

About The Company

Institution Name: Parnassus Investments

Approach to Sustainable & Responsible Investment: Founded in 1984, 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. The firm manages five fundamental, U.S., core equity strategies across multiple market capitalizations, one Asia Pacific equity strategy and one U.S., fixed income strategy. At Parnassus Investments, the investment team follows a responsible investment approach to understand the full impact of a company. The investment team carefully considers a company’s environmental, social and governance (ESG) factors. By incorporating ESG factors into the fundamental investment process, the investment team often identifies risks and opportunities that the market may have ignored, and identifies responsible companies. Parnassus Investments seeks to invest in companies with positive performance on ESG criteria. The ESG factors the investment team evaluates include: corporate governance and business ethics, employee benefits and corporate culture, stakeholder relations, product, customers and supply chain, and environmental impact. ESG research at Parnassus Investments is dynamic, proprietary, and benchmarked against third-party sources. All the firm's investment strategies consider ESG factors as part of the investment process. All members of the investment team consider ESG factors, and three team members exclusively cover ESG factors. ESG analysis is integral to the rigorous review and consideration process that each company undergoes as a new investment opportunity. In addition, the investment team reviews the ESG factors of portfolio companies during periodic reviews throughout the year.

Research conducted: Internally
Specific Screening Information by Category

Environment

- **Climate / Clean Technology**: *Positive Investment* - Parnassus Investments considers ESG factors with respect to climate and clean technology, and prefers companies with positive indicators.
- **Pollution / Toxics**: *Positive Investment* - Parnassus Investments considers ESG factors with respect to pollution and toxics, and prefers companies with positive indicators.
- **Other Environmental**: *Positive Investment* - Parnassus Investments considers ESG factors with respect to the environment, and prefers companies with positive indicators.

Social

- **Community Development**: *Positive Investment* - Parnassus Investments considers ESG factors with respect to community relations and community development, and prefers companies with positive indicators. Additionally, a percent of the portfolio’s assets may be invested with community development financial institutions (CDFIs) that offer credit, capital, and financial services to individuals and organizations engaged in work that benefits low-income communities.
- **Diversity & Equal Employment Opportunity**: *Positive Investment* - Parnassus Investments considers ESG factors with respect to diversity and equal opportunity, and prefers companies with positive indicators.
- **Human Rights**: *Positive Investment* - Parnassus Investments considers ESG factors with respect to human rights, and prefers companies with positive indicators.
- **Labor Relations**: *Positive Investment* - Parnassus Investments considers ESG factors with respect to labor relations, and prefers companies with positive indicators.
- **Conflict Risk**: *Restricted/Exclusionary Investment* - Parnassus Investments does not invest in companies that derive significant revenue from business involvement with Sudan.

Governance

- **Board Issues**: *Positive Investment* - Parnassus Investments considers ESG factors with respect to governance, and prefers companies with positive indicators.
- **Executive Pay**: *Positive Investment* - Parnassus Investments considers ESG factors with respect to executive pay, and prefers companies with positive indicators.

Products

- **Alcohol**: *Restricted/Exclusionary Investment* - Parnassus Investments does not invest in companies that derive significant revenue from the manufacture of alcohol products.
- **Animal Welfare**: *Positive Investment* - Parnassus Investments considers ESG factors with respect to animal welfare, and prefers companies with positive indicators.
- **Defense/Weapons**: *Restricted/Exclusionary Investment* - Parnassus Investments does not invest in companies that derive significant revenue from the manufacture of weapons.
- **Gambling**: *Restricted/Exclusionary Investment* - Parnassus Investments does not invest in companies that derive significant revenue from involvement with gambling.
- **Tobacco**: *Restricted/Exclusionary Investment* - Parnassus Investments does not invest in companies that derive significant revenue from the manufacture of tobacco products.

Other
Other/Qualitative: *Parnassus Investments does not invest in companies that derive significant revenue from generation of electricity from nuclear power.*

Shareholder Engagement - Private Dialogue: Conducted with companies on environmental, social or governance issues

Proxy Voting: Actively voted by my institution for this investment strategy in support of environmental, social or governance issues in accordance with formal guidelines