Separate Account Managers in Sustainable and Responsible Investing

Parnassus Core Fixed Income

About This Strategy

Assets Under Management (AUM): $185.56M (in US$ millions)

Required Minimum: $25 million

Benchmark used: Barclays Capital US Credit

Strategy type: Bond (Fixed Income)

Strategy description: The investment strategy of the Parnassus Core Fixed Income strategy is U.S., fixed income, intermediate, and investment-grade. The Parnassus Core Fixed Income strategy invests principally in investment-grade debt securities which may include U.S. government obligations, corporate bonds, mortgage-backed securities and pools, and convertible bonds. Under normal circumstances, the strategy expects to maintain an overall dollar-weighted average effective duration comparable to the benchmark. At least 65% of the strategy’s total net assets in fixed income securities are rated â€œAâ€ or better by Moody’s Investor Services, Inc. or Standard & Poor’s Rating Group, and at least 80% are in fixed income securities with investment-grade ratings (i.e., rated at least BBB- or Baa3 or better), or of similar economic quality. The strategy also takes environmental, social and governance (ESG) factors into account in making investment decisions. The Parnassus Core Fixed Income strategy’s investment philosophy is to generate a high level of current income consistent with safety and preservation of capital. Parnassus Investments believes that risk selection through sound macroeconomic analysis combined with bond selection based on bottom-up fundamental research is the most effective way to construct a risk-balanced, investment grade fixed-income portfolio. Portfolio construction follows a four-step investment process designed to identify and anticipate changes in both credit and marketplace risk levels and position the portfolio accordingly. Parnassus Investments also leverages its expertise in fundamental equity research to select individual debt securities.

Strategy web 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

**Researcher name:** ESG Research Team

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**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:** *Restricted/Exclusionary 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