

PARNASSUS INVESTMENTS[®]

Parnassus Equity Income FundSM

Maryland Teachers & State Employees Supplemental Retirement Plans

October 20th and 21st, 2010

Table of Contents

Parnassus Investments

- Firm Overview
- Investment Philosophy
- ESG Framework
- ESG Exclusionary Screens
- ESG Qualitative Assessment
- ESG Research Process
- ESG Sources
- ESG Monitoring Sources
- Community Development Financial Institutions
- Proxy Voting

Firm Overview

Established 1984 and Independently Owned

- Boutique culture
 - In-depth fundamental research
 - Independent thinking
 - 26 year history
- 30 employees
 - 11 investment professionals
 - 19 support personnel

Research-Centric

- Bottom-up research
- Collaborative investment environment

Fundamental Analysis

- Value-based investment approach
- Actively manage under and overweight risk
- Evaluate ethics of company business practices

The #1 U.S. Equity Fund Family

Small Fund Group Category



LIPPER
FUND AWARDS 2010
UNITED STATES

Best Equity Small Fund Group for
three-year, risk-adjusted performance.



Parnassus Investments is honored to be recognized by Lipper for having excelled in delivering consistently strong risk-adjusted performance, relative to our peers. This is Parnassus Investments' first time receiving the Lipper award for Best U.S. Equity Small Fund Group; the firm ranked 1st out of 162 companies, based on three-year history, for the period ended December 31, 2009. Fund management companies are considered "large" or "small" groups depending on whether they have assets under management in the United States of more or less than \$34.5 billion, respectively.

In calculating the awards, Lipper considered all open-end funds registered for sale in the United States in qualifying classifications. Awards were calculated using Lipper's consistent return score, which reflects the funds' historic returns, adjusted for volatility, relative to their peers.

Please be advised that some of the Parnassus Funds had negative performance during the ranking period. For information regarding performance of these Funds, please visit the performance section at www.parnassus.com.

Past performance is not a guarantee of future results. Mutual fund investing involves risk, and loss of principal is possible.

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

Investment Philosophy

Good Businesses at Attractive Valuations

- Increasingly relevant products or services
- Clear and sustainable competitive advantages
- Quality management with appropriate incentives
- Undervalued due to short-term concerns

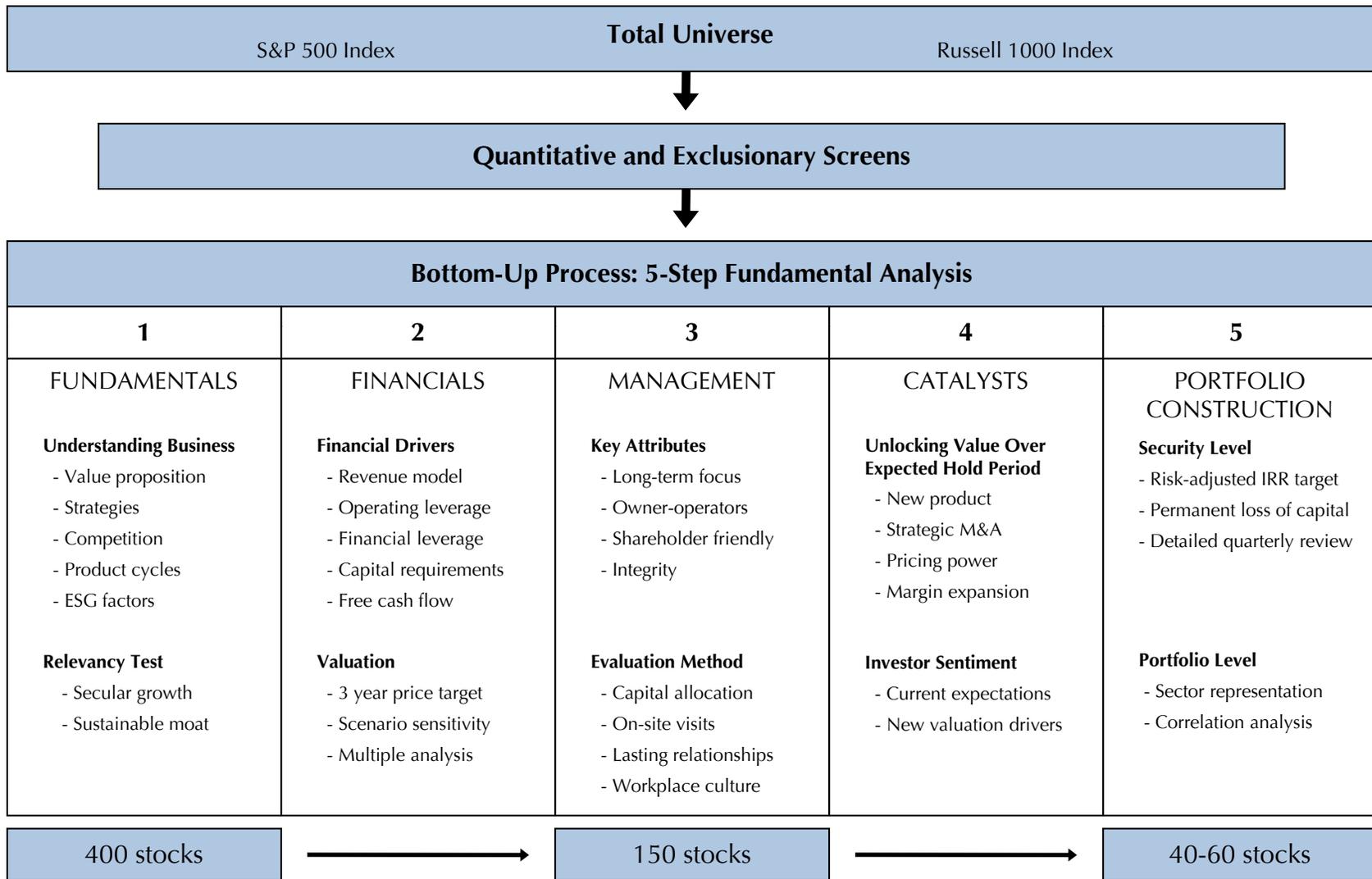
Fundamental Research

- “Know what you own”
- Well-defined and repeatable process
- Primary tool for risk management

Responsible Investment Approach

- Fully integrated into research process
- Identify risks and opportunities that others ignore

Investment Process: Parnassus Equity Income Fund



Environmental, Social & Governance (ESG) Framework

We seek to invest in companies with positive performance on ESG criteria

The ESG factors we evaluate include:

- Corporate governance and business ethics
- Employee benefits and corporate culture
- Stakeholder relations
- Product, customers and supply chain
- Environmental impact

We do not invest in companies with significant involvement in:

- Alcohol
- Tobacco
- Gambling
- Weapons
- Nuclear Power
- Sudan

ESG: Exclusionary Screens

We do not invest in companies with significant involvement in:

- Manufacture of alcohol products
- Manufacture of tobacco products
- Direct involvement with gambling
- Manufacture of weapons
- Generation of electricity from nuclear power
- Business involvement with Sudan

Process

- Individual companies are screened when the investment is first considered
- Funds are monitored quarterly
- If a portfolio company is found to violate an exclusionary screen, it is sold at the earliest reasonable opportunity or within 6 months

ESG: Qualitative Assessment

Looking for notable positives

Examining significant negatives

Considering:

- Key issues for the industry
- Governance and workplace issues
- Other significant issues for stakeholders

Using a comprehensive systems approach:

- Disclosure & transparency
- Policies & measurement
- Performance

Examples of ESG Issues:

Environmental

- Carbon footprint
- Resource use
- Waste stream

Social

- Line of business
- Diversity
- Employee benefits
- Relations with stakeholders
- Product safety

Governance

- Governance structures
- Compensation
- Business ethics

ESG: Research Process

Initial Review

- ESG factor analysis considered prior to investment

Annual Review

- Qualitative & exclusionary ESG coverage updated

Ongoing monitoring of companies

- Press review for new information
- Company engagement
- Quarterly review of exclusionary screens

ESG: Research Sources

Research Sources

- SEC Filings
- Corporate ESG reporting
- Direct contact with the company
- Press coverage
- Sell-side research
- Third-party research providers
- Contact with stakeholders
- Contact with advocates
- Government research & data

Selected Examples

- Annual Report, Proxy, Current Report
- Annual CSR report, company website
- Management, HR, IR, EHS, social networks
- Newspapers, blogs
- Themarkets.com
- MSCI, Bloomberg, Trucost, The Corporate Library
- CDP, issue-area experts
- ESG community, IEHN, CERES
- OSHA, EPA, MMS

ESG: Monitoring Sources

ESG monitoring tools:

- Media aggregator alerts
- Financial media alerts
- Public filings
- ESG research alerts
- Contact with stakeholders
- Company contact

Examples:

- Lexis Nexis, Google
- Bloomberg
- 8-Ks
- MSCI
- Responsible investment community
- RSS feeds, social networks

Responses to ESG monitoring:

- Verification
- Review investment case
- Engagement
- Sell

ESG: Community Development Financial Institutions

- Up to 2% of the Parnassus Funds' assets may be invested in CDFIs
- CDFIs provide investment products with financial and social benefits:
 - Modest financial return (e.g. 1-3%)
 - Targeted lending in low-income communities
 - Often require financial education, which benefits recipients and supports high repayment rates
- Parnassus Investments' CDFI investments are local, national and international:



ESG: Proxy Voting

- Take into account ethical business practices and shareholders' interests
- Policy guidelines and votes disclosed publicly at www.parnassus.com
- Evaluate all proxy votes independently

PARNASSUS INVESTMENTS

Thank You.

With questions or requests for information, please contact:

Grant T. Cleghorn | Director of Institutional Sales & Marketing
1 Market Street | Suite 1600 | San Francisco, CA 94105
P: (415) 778-2646 | M: (415) 336-9040 | Grant.Cleghorn@parnassus.com