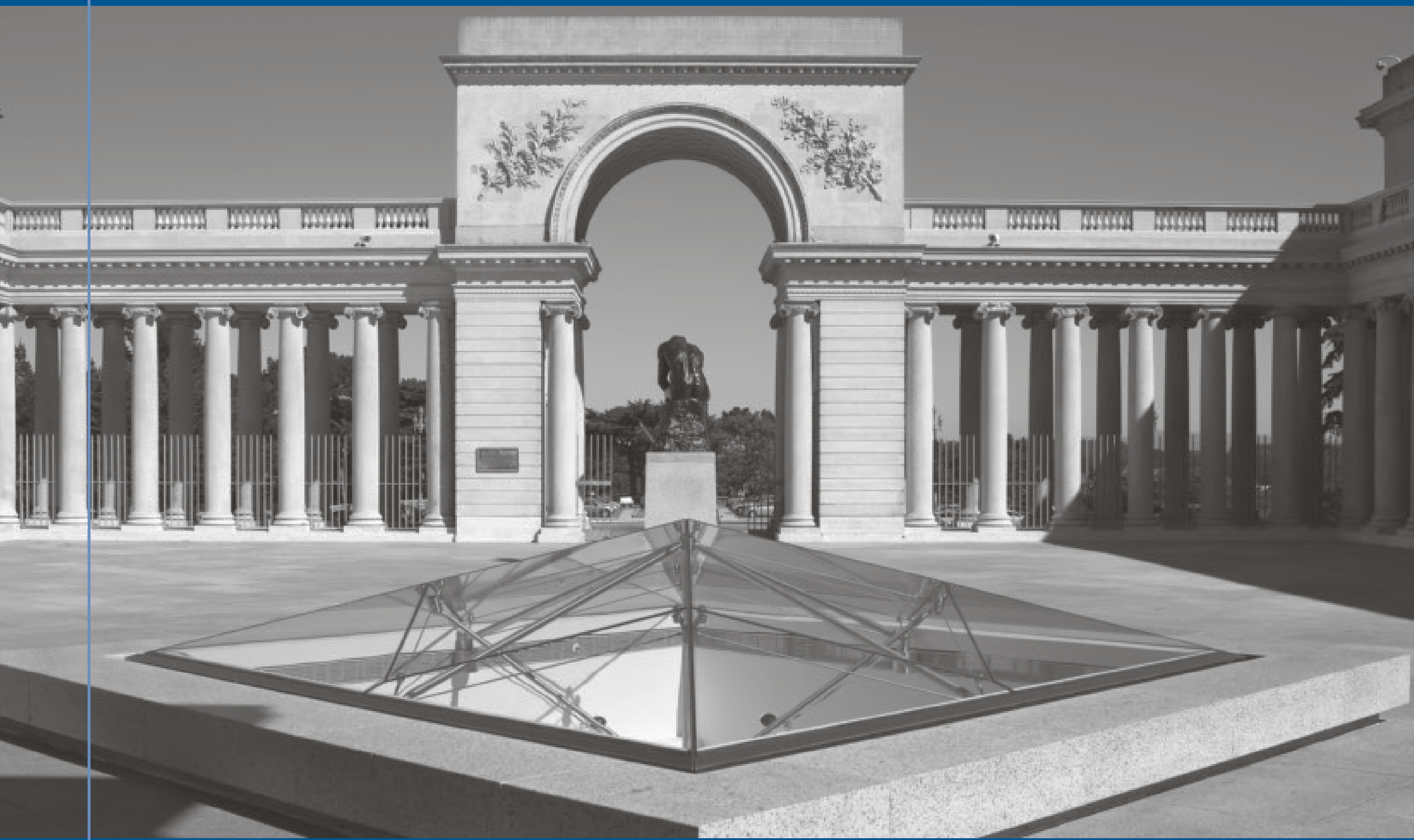
THE PARNASSUS FUNDS℠

Semiannual Report June 30, 2008



Parnassus Fund
Parnassus Equity Income Fund
Parnassus Mid-Cap Fund
Parnassus Small-Cap Fund
Parnassus Workplace Fund
Parnassus Fixed-Income Fund

Parnassus Fund	(PARNX)
Parnassus Equity Income Fund–Investor Shares	(PRBLX)
Parnassus Equity Income Fund–Institutional Shares	(PRILX)
Parnassus Mid-Cap Fund	(PARMX)
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August 4, 2008

Dear Shareholder:

There was a lot of volatility in the capital markets during the second quarter of 2008, and most of the major market indices were down. We're happy to report, though, that our funds have weathered the storms pretty well. Five of our six funds outperformed their Lipper peer groups for both the second quarter and the year-to-date, and although the Mid-Cap Fund underperformed its Lipper peer group for the second quarter, it outperformed that benchmark for the year-to-date. The Equity Income Fund and the Small-Cap Fund have done especially well this year, with both funds having a positive return for this difficult second quarter.

Although there are a lot of economic clouds on the horizon, the good news is that we're finding many bargains. The intrinsic value of an individual company is, roughly speaking, the present value of its future earnings, and an investment in its stock is an ownership claim on those earnings. Therefore, over the very long term, the returns of the stock market will reflect the total earnings of public companies. The tricky part is that in the short term, the psychology of investors gets in the way of this fundamental relationship. Investors are people, and can be influenced by emotion and other things unrelated to fundamental value. Year-to-year, the market may have large swings, but over the long term, stocks stay around their intrinsic value.

As a steward of your money, it's our job to find companies with the ability to earn a lot compared to the amount of capital invested regardless of where the market is. We're happy to report that, overall, the companies in our portfolio have continued to perform well despite a weak economy, and our returns relative to the market reflect that. We'd also like to note that a major benefit of a down market is that companies that we have always admired, but couldn't own because they were too expensive, are now a lot more attractive. We'll be keeping our eyes open for great opportunities.

Personnel Matters

We're fortunate to have three very good interns with us this summer. All of them are undergraduates at the University of California, Berkeley. Yanik Jayaram is a senior at Berkeley studying economics and also pursuing a minor in music. He's a drummer in the UC Jazz Big Band. We won't be able to offer Yanik much opportunity to hone his music skills, but hopefully, he leaves here with a better sense of economics than he did coming in.

Abdullah Nezami is a senior majoring in business administration at UC Berkeley's Haas School of Business. Abdullah was born in Afghanistan and grew up in Fremont, California. He's a member of the National Society of Collegiate Scholars honor society at Berkeley and initiated its student scholarship program.

Elina Sheykh-Zade is a senior at UC Berkeley studying economics. At Berkeley, she has volunteered for the school's Habitat for Humanity chapter and also works as a tour guide on the Berkeley campus. Elina was born in Russia and lived there until the age of 9.

Enclosed you'll find the reports for the six Parnassus Funds. As always, thank you for being an investor with Parnassus.

Jerome L. Dodson
Chairman and Chief Executive
Parnassus Investments

Stephen J. Dodson
President
Parnassus Investments

THE PARNASSUS FUND

Dear Shareholder:

As of June 30, 2008, the net asset value ("NAV") per share of the Parnassus Fund was $34.06, so the total return for the second quarter was a loss of 0.50%. This compares to a loss of 2.73% for the S&P 500 Index ("S&P 500"), a loss of 0.81% for the average multi-cap core fund followed by Lipper Inc. ("Lipper average"), and a gain of 0.82% for the NASDAQ Composite Index ("NASDAQ"). For the quarter, then, we beat the S&P by over two percentage points, beat the Lipper average by a small margin and underperformed the NASDAQ.

For the year-to-date, the Fund is down 7.09% compared to a loss of 11.91% for the S&P, a loss of 10.62% for the Lipper average and a loss of 13.18% for the NASDAQ. Although we're down for the year-to-date, we're substantially ahead of all our benchmarks.

Below is a table comparing the Parnassus Fund with the S&P 500, the Lipper Multi-Cap Core Average and the NASDAQ over the past one-, three-, five- and ten-year periods. The Fund is ahead of all the indices for all periods, except for the five-year term.

Analysis

Although the Fund's loss for the quarter was a modest half of one percent, six companies each accounted for a loss of 23¢ or more for each fund share. Two were homebuilders. As most of you know, homebuilders are one of the two industries suffering the most from the subprime mortgage problem and the resulting impact on credit markets. As the economy slows, fewer people are qualified to buy homes, resulting in too many houses on the market. With weak demand, the credit problems and the oversupply of houses, homebuilders are in trouble. Given this situation, you might wonder why I'm putting some of the Fund's assets into homebuilders. As I explained in the March quarterly report, previous cycles have shown that homebuilder stocks hit bottom about 12-18 months before the fundamentals of the business start to improve. In my view, conditions for the homebuilders will start to improve sometime in the middle of 2009, or about a year from now. In previous cycles, homebuilder stocks have increased more than 100% from the bottom. Psychologically, it's very hard to buy a stock at the bottom, but if you can control your emotions, it's a great time to invest.

Average Annual Total Returns for periods ended June 30, 2008	One Year	Three Years	Five Years	Ten Years	Gross Expense Ratio	Net Expense Ratio
PARNASSUS FUND	(10.52%)	5.49%	3.94%	5.96%	1.00%	0.99%
S&P 500 Index	(13.12%)	4.41%	7.58%	2.88%	NA	NA
Lipper Multi-Cap Core Average	(11.88%)	4.82%	8.27%	4.52%	NA	NA
NASDAQ Composite Index	(11.19%)	4.51%	7.90%	2.45%	NA	NA

Performance data quoted represent past performance and are no guarantee of future returns. Current performance may be lower or higher than the performance data quoted. Current performance information to the most recent month-end is on the Parnassus website (www.parnassus.com). Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original principal cost. Returns shown in the table do not reflect the deduction of taxes a shareholder may pay on fund distributions or redemption of shares. The S&P 500 Index and the NASDAQ Composite Index are unmanaged indices of common stocks, and it is not possible to invest directly in an index. Index figures do not take any expenses, fees or taxes into account, but mutual fund returns may. Prior to May 1, 2004, the Parnassus Fund charged a sales load (maximum of 3.5%), which is not reflected in the total return calculations. Before investing, an investor should carefully consider the investment objectives, risks, charges and expenses of the Fund and should carefully read the prospectus, which contains this and other information. The prospectus is available on the Parnassus website, or you can obtain one by calling (800) 999–3505. As described in the Fund's current prospectus dated May 1, 2008, Parnassus Investments has contractually agreed to limit the total operating expenses to 0.99% of net assets, exclusive of acquired fund fees, until May 1, 2009. This limitation may be continued indefinitely by the Adviser on a year-to-year basis.

What was really surprising during the first quarter of this year was that homebuilder stocks increased on average between 20% and 40%. Pulte Homes climbed 38%, DH Horton rose 20% and Toll Brothers ran up 25%. I had mixed emotions about this surge. On the one hand, I was happy because it helped the Fund's first quarter return; on the other, I was a little disappointed that I didn't have a chance to build a bigger position in these issues.

I also had mixed emotions when the homebuilding companies lost all that gain in the second quarter. I was disappointed because it hurt our second quarter return, but I was happy that it gave me another chance to build a bigger position. I believe our homebuilder stocks will do well over the next two years. We've invested in companies with strong balance sheets that will be able to weather the current economic storm. They should also be able to increase market share over the next 18 months, as smaller homebuilders go out of business.

For the quarter, Pulte Homes sliced 32¢ off the NAV, as its stock fell 33.8% from $14.55 to $9.63, and DH Horton dropped 31.1% from $15.75 to $10.85, for a loss of 26¢ on the NAV.

Refiner Valero Energy cost the Fund 30¢ per share, as its stock declined 16.2% from $49.11 to $41.18. One would think that with record-high oil prices, an energy company would be hitting all-time highs. The difficulty is that Valero produces no oil – it only refines it into gasoline. Oil is a cost for Valero, so the higher price means more expensive raw materials. What really determines profits for Valero is the difference between the price of oil and the price of gasoline or the so-called "crack spread." In June of 2007, the "crack spread" was around $27.88 per barrel, while in June of 2008, the margin was only about $9.24 per barrel. We're hanging onto Valero, because we think the stock price will come back when margins return. Since no new refineries are being constructed in the United States, margins will definitely return at some point. We also like the company because it's a great place to work, appearing regularly on the Fortune list of best places to work.

First Horizon, the holding company for First Tennessee Bank, sank an incredible 47.0% during the quarter, going from $14.01 to $7.43 per share for a loss of 26¢ on the NAV. The company had real estate loans that soured, and it also financed small and medium-sized homebuilders who are having difficulties. The stock is now trading at a fraction of its book value, even after taking huge reserves for bad loans. I think there's still a lot of value in the banking franchise, so I'll continue to hold the stock.

Ciena Corporation cost the NAV 26¢, as its stock dropped 24.9% from $30.83 to $23.17. The company makes optical network products for telecommunications, and investors perceive that the demand for these products is declining. I think demand will pick up late this year or early in 2009.

Freddie Mac, the big federally-sponsored, but privately-owned purchaser of home mortgages, dropped 35.2% from $25.32 to $16.40, because of concerns about mortgage foreclosures. There is also concern about dilution, since the company plans to increase its capital base by selling more stock.

Fortunately, we had four companies in the portfolio that each added 23¢ or more to the NAV, virtually balancing out the losses. The big winner for the quarter was W&T Offshore, which contributed an amazing 61¢ to each fund share, as its stock soared 71.5% from $34.11 to $58.51. Part of the reason for the dramatic increase, of course, was the big jump in oil prices, which helped all companies that own and operate oil wells. However, W&T has been especially successful in exploration, having found oil in 12 of 14 wells drilled since the first of the year. The company also has been environmentally responsible in its oil operations. None of its wells in the Gulf of Mexico leaked while Hurricane Katrina raged offshore. W&T also has a very good safety record.