PARNASSUS INVESTMENTS®

INVESTMENT COMMENTARY
2Q26

Parnassus Core Select ETF (PRCS)

The strategy seeks to achieve strong long-term returns through a concentrated portfolio of approximately 25 high-quality, attractively priced U.S. large-cap stocks that reflect our investment team's highest convictions.

KEY TAKEAWAYS

- Parnassus Core Select ETF ("the Fund") returned 14.98% (NAV) during the quarter, slightly underperforming the S&P 500 Index's 15.20%.
- Our holdings in the Financials and Industrials sectors detracted, while holdings in the Communication Services sector and a lack of exposure to the Energy, Consumer Staples and Utilities sectors boosted relative performance.
- We are positioning the portfolio to own the foundational infrastructure of the future, while owning quality compounders that we believe can hold up well in down markets and come out stronger on the other side.
- We remain constructively bullish on U.S. equity and continue to be selective, valuation-sensitive and focused on upgrading portfolio quality through active stock selection.

Market Review

The S&P 500 Index posted double-digit gains during the second quarter, driven largely by increased confidence in the durability of the ongoing artificial intelligence (AI) infrastructure build-out. As the quarter began, the macroeconomic and geopolitical uncertainty that caused a first-quarter sell-off began to ease, prompting a sustained rally. Concerns around Federal Reserve policy surfaced toward the end of June, as investors anticipated that higher interest rates could pressure consumers. Most sectors of the S&P 500 Index generated positive returns in the quarter. Information Technology and Industrials were the top performers, as AI build-outs benefited semiconductor and semiconductor equipment companies as well as businesses tied to electrification. The Energy sector declined by double digits as oil prices fell amid signs of progress toward a resolution of the Iran conflict, while the Utilities sector posted a slight decline.

Fund Facts	
Ticker	PRCS
Total Expense Ratio[1]	0.58%
Inception Date	12/11/2024
Benchmark	S&P 500 Index
Asset Class	U.S. large cap core
Objective	Capital appreciation

Performance

As of 06/30/2026	3 Mos.	1 Yr.	Since 12/11/2024
Parnassus Core Select ETF – NAV	14.98	13.22	9.35
Parnassus Core Select ETF – Market Price	15.18	13.25	9.46
S&P 500 Index	15.20	22.32	15.88

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, and current performance information to the most recent month end is available on the Parnassus website (www.parnassus.com). Investment return and principal value will fluctuate, so 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 is an unmanaged index 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 do. The estimated impact of individual stocks on the Fund's performance is provided by FactSet.

Performance Review

Communication Services holdings helped relative results

The Fund returned 14.98% (NAV) during the quarter, slightly underperforming the S&P 500 Index's 15.20%. Our holdings in the Financials and Industrials sectors detracted, while holdings in the Communication Services sector and a lack of exposure to the Energy, Consumer Staples and Utilities sectors boosted relative performance.

For the year-to-date period, the Fund returned 7.19% (NAV), underperforming the S&P 500's 10.21%. The Fund's holdings in the Health Care and Financials sectors weighed on performance. Conversely, holdings in Communication Services and Information Technology aided relative results.

Top Contributors

Applied Materials, which supplies semiconductor manufacturing equipment, benefited from sustained demand tied to AI infrastructure build-out and accelerating demand for compute (computing power).

Alphabet's strong performance reflected continued strength in its core businesses and an increasingly optimistic investor view of the company's potential for long-term AI leadership.

DoorDash, the food delivery platform, is a new position initiated during the quarter. We bought the stock at a recent low, then it rebounded as geopolitical worries eased and gasoline prices fell, supporting driver economics, consumer willingness to spend on delivery and sentiment toward the business.

Eli Lilly benefited from investor optimism surrounding its newly launched oral GLP-1 drug for weight loss, Foundayo. We believe the drug's ease of use versus competitors' products means Lilly has the potential to capture significant market share, including internationally.

Bank of America shares rose as expectations for higher interest rates improved the outlook for large banks' net interest income.

Bottom Contributors

Intercontinental Exchange shares came under pressure after U.S. regulators eased restrictions on perpetual futures—derivative contracts that let investors speculate on an asset's price movements without owning the asset, with no expiration date—which could present competitive challenges to established exchanges.

Danaher underperformed as investors continued to wait for a recovery in the company's end markets. Weakness across the Health Care sector also weighed on shares during the quarter.

Waste Management stock declined after the environmental solutions provider reported mixed financial results for the first quarter, with earnings topping consensus estimates while revenues fell short. The defensive stock also did not fully participate in the broader market rally. We remain confident in Waste Management's long-term growth potential, given its strong competitive moat and dominant market position in landfill ownership.

Salesforce underperformed amid persistent concerns that AI advancements will disrupt its key markets. We exited the position during the quarter.

AutoZone benefited in the previous quarter from tariffs and higher car prices, but as those effects faded, the stock did not keep pace with the broader market in the second quarter.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Applied Materials	10.27	111.80	7.33
Alphabet	10.53	24.35	0.39
DoorDash	0.42	11.39	0.32
Eli Lilly and Co.	2.08	30.63	0.13
Bank of America	3.10	17.49	0.07

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Intercontinental Exchange	3.21	-21.44	-1.28
Danaher	5.09	0.67	-0.81
Waste Management	3.97	-2.59	-0.77
Salesforce	2.05	-16.52	-0.73
AutoZone	2.86	-5.38	-0.63

Return calculations are gross of fees, time weighted and geometrically linked. Returns would be lower as a result of the deduction of fees.

Portfolio Positioning

Focused on the infrastructure of the future

We continue to maintain a portfolio positioning balanced between offense and defense, with 40% offensive positions allocated toward companies where we have a strong belief their AI positions will prevail and 60% defensive positions in potentially resilient compounders that we think can absorb a bear market correction and come out stronger over the next one to three years. Our goal is to own companies with real earnings power at sensible prices. We aim to be diversified enough to compound value through both enthusiasm and disappointment in the AI cycle. If AI overcorrects, we don't want the portfolio to be hostage to that theme.

The Fund's top sector overweights relative to the S&P 500 are in Industrials, Consumer Discretionary and Materials, while the largest underweights are in Information Technology, Consumer Staples and Energy (no exposure).

We are positioning the portfolio to own the foundational infrastructure of the future. This investment theme encompasses hyperscalers with cloud computing platforms that let organizations build, run, store and manage applications and data without owning all of the underlying hardware, as well as semiconductor and energy infrastructure companies supporting the data center build-out. We favor companies specializing in industrial automation and physical assets. We also like companies driving innovation in the Health Care sector.

New holdings added during the quarter included DoorDash, which represented an attractive opportunity following a sharp decline in its share price. The company combines a leading market position with multiple avenues for long-term growth, which we believe are not fully reflected in its valuation. We also initiated positions in Hubbell, which offered exposure to electrical infrastructure tied to growing AI-driven power demand, as well as W. W. Grainger and Vulcan Materials, which we believe benefit from ongoing industrial and infrastructure demand. We exited Boston Scientific, Brown & Brown and Salesforce during the quarter, redeploying assets into opportunities where we see greater long-term growth potential.

We remain fully invested and focusing on high-quality companies that offer the potential for market upside and resilience in market downturns.

Outlook

Balancing optimism and caution in the AI revolution

While we are more cautious now than we were in January, we remain constructively bullish. The fact that so much of the market return and earnings growth has been concentrated in a narrow group of companies calls for caution. The market's heightened concentration makes participating far more challenging than the headline index returns suggest, particularly for active managers who seek quality companies across a broader opportunity set.

Market breadth this year has been the narrowest we've seen since 1999. Unlike the dot-com bubble, which was a valuation frenzy around unproven business models, we view AI as more disruptive since it could become the platform running companies rather than just changing how we communicate.

We view the macro backdrop as a tug-of-war with AI capital expenditures and exceptional earnings from a handful of companies pulling one way, while pulling the other way are renewed trade tensions with China, inflation and Middle East–driven oil prices squeezing consumers (especially lower-income households). AI appears to be winning for now, but if that side lets up, things could go tumbling. We are also closely watching the IPO from Space Exploration Technologies and the anticipated listings from OpenAI and Anthropic and their impacts on benchmark indexes.

Despite unprecedented levels of capital investment being made in AI infrastructure, U.S. equities have been buoyed by earnings expansion. First-quarter earnings grew significantly higher than expected, and estimates for the full year project a level of growth we've seen only four times in the past 25 years, with each prior instance following a recession or pandemic shock. This time, earnings are surging amid a carousel of factors that would normally exert pressure—the Iran War, high oil prices, persistent inflation and higher-than-expected interest rates.

Against this backdrop, U.S. exceptionalism remains a core pillar of our investment framework. American companies have wider moats, deeper R&D investment and bigger addressable markets than their international peers. Corporate America's capacity to adapt, innovate and generate cash continues to set the standard globally.

We continue to be selective, valuation-sensitive and focused on upgrading portfolio quality through active stock selection. We remain committed to our disciplined investment process, seeking increasingly relevant, competitively advantaged businesses at attractive valuations with the goal of creating enduring value for our investors.

Quarterly Portfolio Activity

Activity	Security Name	Ticker	Sector	Rationale
Bought	Vulcan Materials Co.	VMC	Materials	Vulcan benefits from irreplaceable quarry locations, high barriers to entry and favorable positions in fast-growing regions, which together create local market advantages and resilient unit economics. Supported by ongoing public infrastructure investment, improving private construction activity and disciplined execution, Vulcan is well positioned to grow earnings and compound value across market cycles, in our view.
Bought	W.W. Grainger Inc.	GWW	Industrials	Grainger's economies of scale, network effects, large SKU breadth and e-commerce platform enable same-day service and strong customer loyalty. Run by a management team with a proven track record of outperforming industry peers, Grainger is well positioned to benefit from trends like digitization, nearshoring and aging U.S. manufacturing assets.
Bought	DoorDash Inc.	DASH	Consumer Discretionary	DoorDash is the clear leader in U.S. food delivery and is expanding beyond restaurants into grocery, convenience, retail and international markets, increasing its opportunity set over time. While investors have recently focused on near-term spending and profitability pressures, we believe these investments can strengthen the company's competitive position and support future earnings growth. In our view, DoorDash's market leadership, growing network scale and multiple avenues for monetization provide an attractive risk/reward opportunity for long-term investors.
Bought	Hubbell Inc.	HUBB	Industrials	Hubbell, as a leading provider of utility equipment, serves a critical role in helping utilities modernize and expand their networks, supported by a strong market position, a broad product portfolio and a history of successful acquisitions. We believe the company is well positioned to benefit from growing investment in the U.S. electrical grid and the rising demand for power driven by electrification and AI-related infrastructure needs.
Sold	Brown & Brown Inc.	BRO	Financials	While Brown & Brown remains a high-quality business, we saw rising near-term risks as the company navigates an industry downturn, integrates a large acquisition and works to close an AI capability gap versus larger peers. We reallocated capital to Vulcan Materials, which offers a more compelling risk/reward profile, supported by its irreplaceable geological assets and long-term public infrastructure demand.
Sold	Boston Scientific Corp.	BSX	Health Care	We exited Boston Scientific as the competitive environment evolved more quickly than anticipated. Growth in key franchises—particularly Farapulse and Watchman—slowed due to earlier-than-expected competitive pressures and mixed clinical trial outcomes. While market share may stabilize over time, reduced visibility into a near-term reacceleration led us to reallocate capital toward higher-conviction opportunities with more compelling risk/reward profiles.
Sold	Salesforce Inc.	CRM	Information Technology	We sold Salesforce as conviction in horizontal application software declined amid increased competition, weaker pricing dynamics and less attractive valuations. We redeployed capital into opportunities with more direct exposure to structural AI tailwinds.

Sector Weights

As of 06/30/26

Sector	% of TNA	S&P 500
Communication Services	8.4	9.7
Consumer Discretionary	14.9	9.4
Consumer Staples	N/A	4.6
Energy	N/A	3.0
Financials	10.2	11.7
Health Care	9.6	8.9
Industrials	16.5	8.8
Information Technology	32.8	38.2
Materials	5.3	1.8
Real Estate	1.9	1.8
Utilities	N/A	2.2
Cash and Other	0.3	N/A

Ten Largest Holdings

As of 06/30/26

Security	% of TNA
Applied Materials Inc.	12.5
Alphabet Inc., Class A	8.4
Microsoft Corp.	7.4
NVIDIA Corp.	7.2
Amazon.com Inc.	6.2
Danaher Corp.	5.1
Deere & Co.	4.3
Waste Management Inc.	3.8
Apple Inc.	3.5
Linde plc	3.2

Portfolio holdings are subject to change.

Portfolio Managers

Benjamin Allen

Chief Executive Officer,
Portfolio Manager

Experience: 27 years

Todd Ahlsten

Chief Investment Officer,
Portfolio Manager

Experience: 31 years

Andrew Choi

Portfolio Manager,
Director of Research

Experience: 13 years

Glossary

Earnings Growth is the change in a company's reported net income over a period of time.
Allocation Effect: the allocation effect in performance attribution measures how much of a portfolio's outperformance or underperformance against a benchmark comes from the manager's decision to overweight or underweight specific sectors or asset classes, rather than from picking individual stocks within them.

Important Information

The Standard & Poor's 500 Composite Stock Price Index (the S&P 500 Index) is a widely recognized index of common stock prices. It is an unmanaged index of 500 common stocks primarily traded on the New York Stock Exchange, weighted by market capitalization. Index performance includes the reinvestment of dividends and capital gains. An individual cannot invest directly in an index. An index reflects no deductions for fees, expenses or taxes. The S&P 500 Index is a product of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by Parnassus Investments. Copyright © 2022 by S&P Dow Jones Indices LLC, a subsidiary of McGraw-Hill Financial, Inc., and/or its affiliates. All rights reserved. Redistribution, reproduction and/or photocopying in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. For more information on any of S&P Dow Jones Indices LLC's indices please visit www.spdji.com. S&P® is a registered trademark of Standard & Poor's Financial Services LLC and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions or interruptions of any index or the data included therein.

1. As described in the Fund's current prospectus dated April 30, 2026, Parnassus Investments has contractually agreed to reduce its investment advisory fee to the extent necessary to limit total operating expenses to 0.58% of the Fund's average daily net assets. This agreement will not be terminated prior to May 1, 2027, and may be continued indefinitely by the investment adviser on a year-to-year basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) GUIDELINES: The Fund evaluates ESG factors as part of the investment decision-making process, considering a range of impacts they may have on future revenues, expenses, assets, liabilities and overall risk. The Fund also utilizes active ownership to encourage more sustainable business policies and practices and greater ESG transparency. Active ownership strategies include proxy voting, dialogue with company management and sponsorship of shareholder resolutions, and public policy advocacy. There is no guarantee that the ESG strategy will be successful.

Investing involves risk and principal loss is possible. ETFs may trade at a premium or discount to NAV. Shares of any ETF are bought and sold at market prices (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns.

Before investing, an investor should carefully consider the investment objectives, risks, charges and expenses of the fund and should carefully read the prospectus or summary prospectus, which contains this information. A prospectus or summary prospectus can be obtained on the website, www.parnassus.com, or by calling (855) 514-4443. ETF investing involves risk, and loss of principal is possible. The Parnassus Funds are distributed by Parnassus Funds Distributor, LLC.