

Parnassus Growth Equity Fund

The strategy pursues strong long-term returns by owning a concentrated portfolio of innovative, high-quality U.S. large cap companies that are well positioned to benefit from long-term secular trends.

KEY TAKEAWAYS

- Parnassus Growth Equity Fund (Investor Shares) returned 17.49% (net of fees) during the quarter, outperforming the Russell 1000 Growth Index's 16.74%.
- Our holdings in the Information Technology and Consumer Discretionary sectors boosted relative returns, while Communication Services and Financials holdings held back relative performance.
- During the quarter, we rotated out of six positions into five new ones that offered clearer growth paths and more attractive long-term risk/reward opportunities.
- We remain constructively bullish on U.S. equities and continue to be selective, valuation-sensitive and focused on disruptive growth opportunities through active stock selection.

Market Review

Growth stocks advanced during the second quarter, as the Russell 1000 Growth Index generated strong double-digit returns. Market gains were 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. Nearly all sectors of the Russell 1000 Growth generated positive returns in the quarter. Consumer Staples and Utilities were the worst-performing sectors along with Energy, which was the lone negative performer as oil prices fell amid signs of progress toward a resolution of the Iran conflict. Information Technology and Industrials were the top-performing sectors, as AI build-outs benefited semiconductor and semiconductor equipment companies as well as businesses tied to data centers and electrification.

Fund Facts	Investor Shares	Institutional Shares
Ticker	PFGEX	PFIGX
Net Expense Ratio ¹	0.84%	0.63%
Gross Expense Ratio	1.29%	1.07%
Inception Date	12/28/2022	12/28/2022
Benchmark	Russell 1000 Growth Index	
Asset Class	U.S. large cap growth	
Objective	Capital appreciation	

Performance

Annualized Returns (%)

As of 06/30/2026	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since 12/28/2022
PFGEX - Investor Shares	17.49	16.73	21.96	-	-	27.21
PFIGX - Institutional Shares	17.50	16.97	22.21	-	-	27.48
Russell 1000 Growth Index	16.74	17.71	22.58	13.71	18.57	28.72

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 Russell 1000 Growth 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

Positioning in Information Technology buoyed relative results

The Fund (Investor Shares) returned 17.49% (net of fees) during the quarter, outperforming the Russell 1000 Growth Index's 16.74%. Our holdings in the Information Technology and Consumer Discretionary sectors boosted relative returns, while Communication Services and Financials holdings held back relative performance.

For the year-to-date period, the Fund returned 6.17% (net of fees), outperforming the Russell 1000 Growth's 5.33%. Our Information Technology and Industrials exposures aided relative returns, while holdings in Health Care and Financials detracted.

Top Contributors

Demand for AI infrastructure, particularly semiconductors, continued to climb, which buoyed the shares of the Fund's top contributors:

Applied Materials, a supplier of semiconductor manufacturing equipment,

Advanced Micro Devices (AMD), a leading semiconductor company that designs and sells computer processors and related chips,

ASML Holding, a supplier of the world's most advanced lithography systems, and

Taiwan Semiconductor Manufacturing Company (TSMC), the world's largest contract semiconductor manufacturer.

These companies all hold unique positions in the semiconductor ecosystem and benefited from investor confidence that the AI spending boom will remain strong in the coming years as adoption of agentic AI grows.

Twist Bioscience, a new portfolio holding added during the quarter, manufactures synthetic DNA and proteins. The stock gained on investor optimism around its exposure to two durable high-growth healthcare themes: AI-assisted drug development and next-generation genetic sequencing.

Bottom Contributors

Boston Scientific detracted after growth slowed in two of its key businesses, its electrophysiology franchise and Watchman heart implant, due to growing competition and mixed clinical trial results. We exited the stock during the quarter.

PTC, a maker of product development software, underperformed following management's commentary around ongoing AI investment. We sold PTC and reallocated the assets into higher-conviction ideas.

Insmed shares fell after sales of the biopharmaceutical company's new lung drug Brinsupri fell short of analysts' expectations. We exited the position during the quarter.

Medline shares declined as medical technology stocks broadly came under pressure. The company also faced near-term concerns surrounding tariffs and higher transportation costs, though we remain confident in its long-term competitive positioning.

Netflix reported solid first-quarter results, but company management did not raise revenue guidance for the full year, disappointing some investors. Cofounder Reed Hastings announced plans to step down from the board, which may have further weighed on shares.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Applied Materials	3.12	111.80	1.99
AMD	3.03	185.56	1.68
Twist Bioscience	0.49	107.84	0.86
ASML Holding	2.74	50.90	0.81
TSMC	2.97	41.57	0.61

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Boston Scientific	1.32	-29.56	-0.74
PTC	1.32	-21.01	-0.54
Insmed	0.50	-34.31	-0.53
Medline	1.32	-11.37	-0.44
Netflix	2.03	-25.74	-0.42

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

Deepening our exposure to innovation in AI and Health Care

We continue to maintain a portfolio balanced between offense and defense. We have taken advantage of ongoing market volatility to selectively participate in secular trends at attractive valuations in AI beneficiaries including hyperscalers, semiconductors and data center and energy infrastructure.

Due to the market concentration in mega-cap technology companies, the portfolio's largest absolute weight continues to be the Information Technology sector, where we have an underweight position relative to the Russell 1000 Growth Index. The portfolio's largest active weights relative to the Russell 1000 Growth are in Health Care, Communication Services and Materials. The portfolio has no exposure to Energy or Real Estate.

We made several position changes during the quarter, selling six positions and adding five new ones. We also adjusted several position sizes in response to the Russell 1000 Growth Index reconstitution.

In the Health Care sector, we see compelling long-term idiosyncratic growth opportunities in drug discovery, diagnostics and medical innovation. During the quarter, we added Twist Bioscience, a biotechnology company with a proprietary silicon-based DNA synthesis platform, and Revolution Medicines, developer of a promising new drug for pancreatic cancer. Other positions added during the quarter included Sandisk, a leader in flash memory solutions; Comfort Systems, a mechanical, electrical and plumbing contractor, which provides key labor for AI infrastructure build-out; and Lumentum, which makes optical products used in AI data center networking.

We continue to seek opportunities to invest in innovative, increasingly relevant, competitively advantaged businesses at attractive valuations in the pursuit of strong long-term returns.

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. We don't see today's environment as a repeat of the dot-com bubble, which was largely a valuation frenzy built around unproven business models. We regard AI as a structurally disruptive force, given its potential to become the underlying platform on which companies operate, rather than merely an incremental improvement to communication.

The macroeconomic backdrop remains mixed: robust AI capital expenditure and exceptional earnings from a handful of companies, set against renewed trade tensions with China and inflation pressures from higher oil prices that continue to squeeze consumers, particularly lower-income households. Given these counteracting forces, we remain focused on finding disruptive innovation capable of growing through a range of macroeconomic environments.

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. Given the macroeconomic backdrop, we remain focused on finding disruptive innovation exposed to long-term secular trends and capable of growing through a range of macroeconomic environments.

We continue to be selective, valuation-sensitive and focused on quality growth opportunities 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	Twist Bioscience Corp.	TWST	Health Care	Twist Bioscience provides exposure to two powerful long-term trends in Health Care, AI-supported drug discovery and next-generation sequencing. The company's proprietary silicon-based DNA synthesis platform enables higher throughput and lower costs than traditional methods, creating a durable competitive advantage and positioning Twist to take share in a growing market.
Bought	Revolution Medicines Inc.	RVMD	Health Care	Revolution Medicines' lead drug candidate, daraxonrasib, has delivered strong late-stage clinical results in pancreatic cancer, with data suggesting it could become a new standard of care and support significant commercial potential, alongside additional opportunities in other cancers over time.
Bought	Lumentum Holdings Inc.	LITE	Information Technology	Lumentum offers exposure to a key bottleneck in AI infrastructure, optical networking, as rising data demand drives a shift away from copper-based systems. Its components enable faster, more efficient data transfer and benefit from strong competitive advantages, including deep technical expertise and high switching costs once embedded in customer platforms.
Bought	Comfort Systems USA Inc.	FIX	Industrials	Comfort Systems is a mechanical, electrical and plumbing contractor that provides the skilled labor that's essential for building increasingly complex data centers, where demand continues to accelerate alongside AI investment.
Bought	Sandisk Corp.	SNDK	Information Technology	Sandisk makes NAND flash memory, which is seeing a surge in demand from data centers and AI workloads. While NAND remains cyclical, we believe the combination of accelerating AI-driven storage demand and constrained supply provides an attractive opportunity to participate in the current upcycle.
Sold	Brown & Brown Inc.	BRO	Financials	Brown & Brown remains a high-quality business, but we see 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.
Sold	Insmmed Inc.	INSM	Health Care	Insmmed's thesis had largely played out following positive TPIP data and upward revisions to Brinsupri sales. We redeployed capital to Twist Bioscience, which offers a longer runway for growth.
Sold	Boston Scientific Corp.	BSX	Health Care	We exited Boston Scientific as the competitive environment evolved more quickly than anticipated. Growth in key franchises, Farapulse and Watchman, slowed due to 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.
Sold	PTC Inc.	PTC	Information Technology	We exited PTC as part of a broader reduction in select software holdings where conviction in long-term growth and differentiation has diminished. In an evolving AI landscape, we are prioritizing companies with more direct exposure to durable growth drivers and better earnings visibility.
Sold	Salesforce Inc.	CRM	Information Technology	We sold Salesforce as conviction in horizontal application software declined amid increased competition and weaker pricing dynamics.
Sold	The Sherwin-Williams Co.	SHW	Materials	We exited Sherwin-Williams given its growth is tied to a housing recovery, which remains uncertain, and it has a premium valuation relative to its growth.

Sector Weights

As of 06/30/26

Sector	% of TNA	Russell 1000 Growth
Communication Services	17.4	16.1
Consumer Discretionary	8.0	8.2
Consumer Staples	1.5	1.2
Energy	N/A	0.4
Financials	5.3	4.3
Health Care	12.2	5.4
Industrials	8.7	8.9
Information Technology	44.8	54.5
Materials	1.4	0.3
Real Estate	N/A	0.4
Utilities	N/A	0.3
Cash and Other	0.7	N/A

Ten Largest Holdings

As of 06/30/26

Security	% of TNA
Alphabet Inc., Class A	11.6
NVIDIA Corp.	10.5
Microsoft Corp.	4.6
Apple Inc.	4.5
Meta Platforms Inc., Class A	4.4
Eli Lilly & Co.	3.6
Broadcom Inc.	3.5
GE Vernova Inc.	3.4
Advanced Micro Devices Inc.	3.2
Visa Inc., Class A	3.1

Holdings are subject to change.

Portfolio Managers

**Andrew Choi**

Portfolio Manager,
Director of Research
Experience: 13 years

**Shivani Vohra**

Portfolio Manager,
Senior Analyst
Experience: 13 years

Glossary

Earnings Growth is the change in a company's reported net income over a period of time and is not a measure of future performance.

Allocation Effect measures the impact of asset allocation decisions on the active return. It reflects the difference between the portfolio weights and benchmark weights, multiplied by the benchmark returns.

The **Magnificent Seven (Mag 7)** stocks are a group of high-performing and influential companies in the U.S. stock market: Alphabet, Amazon, Apple, Tesla, Meta Platforms, Microsoft, and Nvidia.

Important Information

The Russell 1000® Growth Index measures the performance of the large cap growth segment of the U.S. equity universe. An individual cannot invest directly in an index. An index reflects no deductions for fees, expenses or taxes, but mutual fund returns do. 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, As Amended and Restated June 16, 2026, Parnassus Investments has contractually agreed to reduce its investment advisory fee to the extent necessary to limit total operating expenses to 0.84% of net assets for the Parnassus Growth Equity Fund (Investor Shares) and to 0.63% of net assets for the Parnassus Growth Equity Fund (Institutional Shares). 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. The net expense ratio is what investors pay.

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.

Mutual fund investing involves risk, and loss of principal is possible. The Fund's share price may change daily based on the value of its security holdings. Stock markets can be volatile, and stock values fluctuate in response to the asset levels of individual companies and in response to general U.S. and international market and economic conditions. In addition to large cap companies, the Fund may invest in small and/or mid cap companies, which can be more volatile than large cap firms. Security holdings in the fund can vary significantly from broad market indexes.

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Before investing, an investor should carefully consider the investment objectives, risks, charges and expenses of a fund and should carefully read the prospectus or summary prospectus, which contain this and other information. The prospectus or summary prospectus can be found on the website, www.parnassus.com, or by calling (800) 999-3505.