PARNASSUS INVESTMENTS®

INVESTMENT COMMENTARY
2Q26

Parnassus Mid Cap Fund

The strategy pursues strong long-term returns by holding a concentrated portfolio of 35 to 45 high-quality U.S. mid-cap stocks with the potential for long-term growth and business resiliency.

KEY TAKEAWAYS

- Parnassus Mid Cap Fund (Investor Shares) returned 14.64% (net of fees) for the quarter, outperforming the Russell Midcap Index's 13.83% return.
- The portfolio's outperformance was driven by our holdings in the Information Technology sector, which delivered strong returns for the quarter due to the ongoing artificial intelligence (AI) megatrend. Our holdings in Industrials offset some of those gains.
- During the quarter, we upgraded the portfolio with companies positioned to benefit from AI-driven growth, while exiting positions that we believe face continued disruption from AI.
- We remain focused on investing in best-in-class companies and reducing exposure to companies where competitive dynamics or customer spending patterns may be structurally challenged as AI adoption evolves.

Market Review

The Russell Midcap Index delivered remarkably strong, double-digit returns in the second quarter of 2026, a solid recovery from the modest returns and market uncertainty in the first quarter. Market gains were driven largely by increased confidence in the durability of the ongoing AI infrastructure build-out. The macroeconomic backdrop provided mixed signals during the quarter. A formal agreement to end the U.S.-Iran war sent oil prices sharply lower, providing substantial relief to near-term inflation fears. However, the Federal Reserve maintained a relatively hawkish bias, signaling that interest rates would remain higher for longer and emphasizing inflation control as its top priority. During the quarter, the best-performing sectors in the Russell Midcap Index were Information Technology and Industrials as the AI build-out benefited semiconductors, tech hardware, capital goods manufacturers and infrastructure contractors, while the Energy sector ended the quarter with losses following the sharp decline in oil prices and the Consumer Staples and Utilities sectors finished fairly flat.

Fund Facts	Investor Shares	Institutional Shares
Ticker	PARMX	PFPMX
Net Expense Ratio[1]	0.95%	0.75%
Gross Expense Ratio	1.03%	0.77%
Inception Date	04/29/2005	04/30/2015
Benchmark	Russell Midcap Index	
Asset Class	U.S. mid cap blend	
Objective	Capital appreciation	

Performance

Annualized Returns (%)

As of 06/30/2026	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
PARMX – Investor Shares	14.64	19.47	14.43	5.53	9.35
PFPMX – Institutional Shares	14.69	19.69	14.66	5.75	9.59
Russell Midcap Index	13.83	21.63	16.51	8.50	12.00

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 Midcap 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. Mid cap companies can be more sensitive to changing economic conditions and have fewer financial resources than large cap companies.

Performance Review

Tech holdings fueled our outperformance

The Fund (Investor Shares) returned 14.64% (net of fees) for the quarter, outperforming the Russell Midcap Index's 13.83% return. The portfolio's outperformance was driven by our holdings in the Information Technology sector, which delivered strong returns for the quarter due to the ongoing AI megatrend. In addition, our underweight to Energy benefited relative returns as oil prices fell. Conversely, our holdings in the Industrials sector detracted from returns.

For the year-to-date period, the Fund returned 11.95% (net of fees), underperforming the Russell Midcap Index's 15.30%. Our Industrials and Health Care holdings hurt relative returns, while our holdings in Information Technology, Financials and Consumer Staples contributed positively to our relative returns.

Top Contributors

KLA, a dominant provider of process control and yield management semiconductor equipment, continued to capture demand for its industry-leading process tools and equipment driven by sustained spending to build out AI infrastructure.

Lam Research, a designer and maker of semiconductor processing equipment, continued to benefit from robust demand for its industry-leading process tools and equipment, driven by the accelerating build-out of AI infrastructure.

Western Digital, a leading data storage products maker, outperformed after the company's strong quarterly results, which reiterated powerful, multiyear support from AI data-center storage demands.

Sandisk, a global leader in flash memory solutions, continued its strong rally amid a tight memory supply environment, fueled by robust, ongoing demand from data center operators and expanding AI workloads.

NXP Semiconductors, a global semiconductor designer and manufacturer for automotive and industrials companies, delivered strong returns as demand is improving from a cyclical trough.

Bottom Contributors

Cboe Global Markets 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. We remain confident in our long-term thesis given Cboe's broad platform and unique products.

Autodesk, a leading provider of design software for architecture, engineering and manufacturing companies, experienced a sell-off despite strong quarterly results and higher guidance, primarily due to fears of generative AI disruption and investor skepticism over its $3.6 billion MaintainX acquisition.

Brookfield Renewable's underperformance stemmed from an overhang from the company's exploration of combining BEPC/BEP Partnership units into a single security, not business deterioration. We remain convicted in our thesis given what we see as underappreciated secular tailwinds from AI data center power demand, electrification and reindustrialization.

Pentair, a leading provider of water treatment and filtration solutions, detracted as residential pool demand remains depressed by broader housing macro headwinds. We believe the company is well positioned to benefit once the housing cycle turns and cyclical demand recovers.

Republic Services, a leading provider of waste and recycling services, delivered negative returns as near-term volume softness, lower recycled commodity prices and valuation pushback offset the company's strong pricing discipline. We believe its above-inflation pricing power and irreplaceable landfill assets support durable long-term growth.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
KLA	3.31	105.18	2.46
Lam Research	3.14	102.95	2.10
Western Digital	2.93	136.20	1.52
Sandisk	2.12	267.52	1.16
NXP Semiconductors	3.65	43.25	0.83

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Cboe Global Markets	3.76	-13.48	-0.95
Autodesk	1.97	-18.79	-0.72
Brookfield Renewable	3.10	-5.89	-0.66
Pentair	1.77	-11.74	-0.50
Republic Services	2.63	-2.44	-0.49

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

Finding opportunities within AI and beyond

We continue to balance exposure to secular growth themes, including AI infrastructure and electrification, with selective opportunities tied to cyclical improvement. The portfolio is positioned with the goal of compounding returns across a range of market environments and delivering outperformance through market downturns. The portfolio's largest absolute and active weights are in the Information Technology and Industrials sectors, while the largest underweights are to the Communication Services, Health Care and Energy sectors.

During the quarter, we actively upgraded the portfolio toward companies positioned to benefit from AI-driven growth in software, data and digital platforms, while also adding energy infrastructure exposure tied to rising power demand from AI and data center development. To fund these purchases, we exited positions that faced continued disruption from AI.

During the quarter, we added five new companies.

Snowflake helps companies store and organize their data in one place, the essential first step before they can put AI to work. That makes it increasingly relevant as AI adoption grows.

We reinvested in Guidewire, the leading software provider to the insurance industry. We believe that Guidewire has a durable position built through product innovation and customer partnership and a proven ability to deliver the complex, mission-critical systems its customers rely on.

Williams owns and operates one of the largest natural gas pipeline networks in the country. It is now building dedicated power capacity for large data center operators under long-term agreements, which we see as an attractive and underappreciated source of growth as energy demand rises.

Robinhood is an innovative consumer financial platform. It's benefiting from growing retail investor participation and expanding its core brokerage business into newer, AI-powered investing tools.

Rentokil has a competitive moat built on its geographic scale, dense service routes and recurring revenue model. With a new CEO in place, we believe that Rentokil can improve its organic growth and margins.

To fund these additions, we exited BILL Holdings, Broadridge Financial Solutions, TransUnion and Verisk Analytics, primarily on our view that AI could erode their growth.

Finally, we sold Sandisk to trim the fund's exposure to memory, the most cyclical corner of the semiconductor market.

Overall, the portfolio remains concentrated in high-quality companies—with durable competitive advantages, increasing relevancy, strong management teams and sustainable business practices where we see a clear path to compounding earnings across cycles.

Outlook

Balancing optimism and caution amid concentrated earnings growth

The market volatility that weighed on investor sentiment in the first quarter gave way to a strong market recovery as the AI build-out continued and earnings beat expectations. First-quarter earnings grew significantly above consensus estimates, and full-year projections point to 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.

Even with that tailwind, markets navigated a real set of challenges, including the Iran war and the accompanying oil price spike, persistent inflation and interest rates that stayed higher than most expected. Through it all, AI themes have remained central to market performance. There was a high level of enthusiasm for companies that are benefiting from AI workflows, as evidenced by the Information Technology sector's index-leading performance this quarter.

As portfolio managers, we continue to believe that U.S. companies are uniquely positioned in this environment. U.S. exceptionalism remains a core pillar of our investment framework; American companies have wider moats, deeper R&D investment and larger addressable markets than their international peers. Corporate America's capacity to adapt, innovate and generate cash continues to set the standard worldwide.

Mid cap valuations remain attractive relative to large caps, and the broadening of market leadership away from the mega-cap technology companies that we've been watching for continued to play out in the second quarter. We view the dispersion between AI beneficiaries and companies exposed to AI disruption risk as increasingly pronounced, which is creating a more favorable environment for active stock selection.

Looking at the second half of 2026, we're still optimistic that economic growth could broaden beyond AI. We're encouraged by the opportunity set, particularly in companies gaining market share with identifiable growth drivers such as pricing power, product innovation or exposure to expanding end markets. We continue to hold all five of our bottom contributors in the second quarter, because we believe each of them is a competitively advantaged business with attractive growth prospects and compelling valuations.

We remain disciplined long-term investors focused on fundamentals and valuation in the pursuit of strong long-term returns.

Quarterly Portfolio Activity

Activity	Security Name	Ticker	Sector	Rationale
Bought	Rentokil Initial PLC	RTO	Industrials	Rentokil has a competitive moat driven by geographic scale, dense service routes and a recurring revenue model. The company acquired Terminix in 2022, and we are optimistic that the new CEO will be able to capitalize on the growth opportunities and improvements from the combined organization.
Bought	Robinhood Markets Inc.	HOOD	Financials	Robinhood is a fast-growing, innovative platform that is broadening how everyday people invest, expanding from its core brokerage business into newer, AI-powered investing tools. We see an increasingly relevant product offering from a company at the leading edge of financial innovation, which should support a long runway for growth.
Bought	Guidewire Software Inc.	GWRE	Information Technology	Guidewire is the leading software provider to the insurance industry, a durable position it has built through product innovation and a proven ability to deliver the complex, mission-critical systems its customers rely on. Because those systems are deeply embedded in how insurers operate, they are difficult to replace. We see a long runway for growth as insurers continue moving to the cloud and adopt more of Guidewire's products, and after a meaningful sell-off in the shares, we were able to reestablish our position at a more attractive valuation.
Bought	Williams Cos., Inc.	WMB	Energy	Williams owns and operates one of the largest natural gas pipeline networks in the country, earning most of its revenue from long-term, fee-based contracts that keep its cash flows steady. Its Transco pipeline serves one of the country’s densest data center corridors, an asset that would be nearly impossible to rebuild. Williams is now building dedicated power capacity for large data center operators under long-term agreements, which we see as an attractive and underappreciated source of growth as energy demand rises.
Bought	Snowflake Inc.	SNOW	Information Technology	Snowflake helps companies store and organize their data in one place, the essential first step before they can put AI to work. That makes it increasingly relevant as AI adoption grows. Because customers pay based on how much they use the platform, Snowflake earns more as AI tools run more queries against their data. We believe this supports durable, multiyear growth.
Sold	Verisk Analytics Inc.	VRSK	Industrials	Based on concerns that rising investment in AI could reshape customers’ technology budgets, potentially reducing Verisk's growth rate, we exited the stock in favor of more attractive opportunities.
Sold	Broadridge Financial Solutions Inc.	BR	Industrials	Based on concerns that rising investment in AI could reshape customers’ technology budgets, potentially reducing Broadridge's growth rate, we exited the stock in favor of more attractive opportunities.
Sold	BILL Holdings Inc.	BILL	Information Technology	We exited BILL to fund our purchase of Guidewire, a software provider where we have greater conviction. Our confidence in BILL’s competitive positioning had declined, and we saw a less clear benefit to the business from AI.

Quarterly Portfolio Activity Cont'd

Activity	Security Name	Ticker	Sector	Rationale
Sold	TransUnion	TRU	Industrials	We exited TransUnion as our concerns about the durability of its business grew. Rising regulatory risk now hangs over its core credit reporting franchise, and we see increasing potential for AI to disrupt its other operations. We redeployed the proceeds into opportunities with more durable growth.
Sold	Sandisk Corp.	SNDK	Information Technology	After a strong run in the stock, we exited Sandisk to fund more attractive opportunities and trim the fund's exposure to memory, the most cyclical corner of the semiconductor market.

Sector Weights

As of 06/30/26

Sector	% of TNA	Russell Midcap
Communication Services	N/A	3.4
Consumer Discretionary	11.7	9.3
Consumer Staples	3.2	4.7
Energy	2.8	5.8
Financials	15.2	13.5
Health Care	7.7	10.7
Industrials	23.7	18.2
Information Technology	22.4	16.8
Materials	3.0	5.2
Real Estate	3.7	6.5
Utilities	5.9	6.0
Cash and Other	0.6	N/A

Ten Largest Holdings

As of 06/30/26

Security	% of TNA
KLA Corp.	4.8
The Bank of New York Mellon Corp.	4.6
NXP Semiconductors NV	3.5
Xylem Inc.	3.2
Synopsys Inc.	3.2
Lam Research Corp.	3.2
US Foods Holding Corp.	3.2
CMS Energy Corp.	3.1
Hubbell Inc., Class B	3.1
Vulcan Materials Co.	3.0

Holdings are subject to change.

Portfolio Managers

Lori Keith

Portfolio Manager,
Senior Analyst

Experience: 31 years

Ian Sexsmith, CFA

Portfolio Manager,
Senior Analyst

Experience: 22 years

Glossary

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**.**

Earnings Growth is the change in an company's reported net income over a period of time.

Important Information

The Russell Midcap® Index is a widely recognized index of common stock prices. The Russell Midcap Index is a market capitalization-weighted index that measures the performance of the 800 smallest companies in the Russell 1000® Index, which represent approximately 30% of the total market capitalization of the Russell 1000 Index. 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.

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 0.95% of net assets for the Parnassus Mid Cap Fund (Investor Shares) and 0.75% of net assets for the Parnassus Mid Cap 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.

The Parnassus Funds are distributed by Parnassus Funds Distributor, LLC.

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.