

Parnassus Mid Cap Growth Fund

The strategy pursues long-term outperformance by owning 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 Growth Fund (Investor Shares) returned 20.04% (net of fees) for the quarter, significantly outperforming the Russell Midcap Growth Index's 14.55% return.
- The portfolio's outperformance was driven by our positions in the Information Technology sector, which delivered strong returns for the quarter due to the ongoing artificial intelligence (AI) megatrend. Our positions in the Health Care and Industrials sectors modestly detracted.
- During the quarter, we repositioned the portfolio toward companies with strong idiosyncratic growth drivers and differentiated earnings opportunities.
- We remain disciplined long-term investors focused on competitive advantages and the durability of growth and expect periods of volatility to create opportunities to invest in long-term winners when market sentiment diverges from underlying fundamentals.

Market Review

The Russell Midcap Growth Index delivered remarkably strong, double-digit returns in the second 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 and volatility 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 Growth Index were Information Technology and Industrials as the AI build-out benefited semiconductor, tech hardware, capital goods manufacturers and infrastructure contractors, while the Energy sector ended the quarter with modest losses.

Fund Facts	Investor Shares	Institutional Shares
Ticker	PARNX	PFPRX
Net Expense Ratio ¹	0.80%	0.68%
Gross Expense Ratio	0.82%	0.70%
Inception Date	12/31/1984	04/30/2015
Benchmark	Russell Midcap Growth Index	
Asset Class	U.S. mid cap growth	
Objective	Capital appreciation	

Performance

Annualized Returns (%)

As of 06/30/2026	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
PARNX - Investor Shares	20.04	19.50	15.47	4.30	10.36
PFPRX - Institutional Shares	20.10	19.65	15.61	4.42	10.51
Russell Midcap Growth Index	14.55	6.17	15.61	6.03	13.04

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 Growth 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.

Performance Review

IT holdings fueled our outperformance

The Fund (Investor Shares) returned 20.04% (net of fees) for the quarter, outperforming the Russell Midcap Growth Index's 14.55% return.

The portfolio's outperformance was primarily 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 holdings in the Consumer Discretionary and Financials sectors lifted relative returns. Conversely, our exposure to Health Care and our holdings within Industrials modestly detracted from returns.

For the year-to-date period, the Fund returned 11.61% (net of fees), outperforming the Russell Midcap Growth Index's 7.27%. Like in the quarter, our Information Technology and Consumer Discretionary positions aided relative returns, while our Industrials and Health Care positions detracted.

Top Quarterly Contributors

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

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.

Teradyne, a leader in semiconductor testing, continued to capitalize on the AI megatrend. Surging demand for its AI-focused testers drove bullish revenue guidance in the first-quarter results further emphasized by strategic market share gains at Nvidia.

Datadog, a leading cloud monitoring and observability software platform, notched better-than-expected quarterly earnings, driven by strength in enterprise AI infrastructure spending. The company reported heightened demand for its AI-native observability and security tools.

Rockwell Automation, the dominant U.S. provider of industrial automation systems, outperformed as early signs of a US manufacturing recovery and reshoring lifted demand.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Sandisk	2.11	257.88	2.77
KLA	3.29	105.18	2.34
Teradyne	3.81	63.27	1.45
Datadog	3.06	120.55	0.87
Rockwell Automation	3.41	38.39	0.70

Bottom Quarterly Contributors

Procore Technologies shares dropped as broader economic anxieties and tighter lending standards weighed on the commercial building sector. Persistent macroeconomic concerns in real estate and construction activity weighed heavily on forward enterprise subscription commitments. We exited the position during the quarter.

Guidewire Software shares underperformed amid rising caution regarding deal timing. Macroeconomic headwinds and cautious enterprise spending caused some insurance clients to delay signing large contracts, as capital was diverted toward generalized AI initiatives.

BILL Holdings detracted as persistent investor worries over generative AI disruption impacted shares. We exited the position during the quarter.

PTC underperformed as persistent investor worries over generative AI disruption impacted shares. The company remains upbeat that revenue growth should accelerate into 2027 as the industrial backdrop improves and new products are introduced.

Insulet shares underperformed due to temporary product recalls, but the firm's best-in-class product and opportunity in type 2 diabetes present a long-term opportunity for the company.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Procore Technologies	1.71	-32.81	-0.88
Guidewire Software	2.48	-17.73	-0.83
BILL Holdings	2.47	-12.85	-0.70
PTC	1.63	-20.27	-0.63
Insulet	1.18	-27.44	-0.46

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 amidst shifting markets

We continue to maintain a portfolio balanced between offense and defense as we navigate ongoing market volatility and megatrends such as AI. We are focused on finding companies that can grow across market environments, providing both upside and downside protection. The portfolio's largest absolute weights are in the Information Technology and Industrials sectors, while the portfolio has no exposure to Real Estate or Utilities.

During the quarter, we repositioned the portfolio toward companies with strong idiosyncratic growth drivers and differentiated earnings opportunities. To fund the purchases, we exited positions where we viewed growth expectations and valuations as less compelling or believed the companies faced more disruption risk from AI.

We increased our exposure to AI-driven infrastructure and beneficiaries by investing in Astera Labs, Comfort Systems USA, Lumentum Holdings, Snowflake and Williams.

Within the Consumer sectors, we initiated a position in US Foods Holding, a leading food distributor with diversified exposure to underlying restaurant demand, and sold Chipotle Mexican Grill. We also reallocated from Royal Caribbean Cruises to Viking Holdings, as we believe it has a longer runway for growth and a more resilient customer base.

In Health Care, we added Revolution Medicines, Roivant Sciences and Twist Bioscience. Revolution is a late-stage clinical oncology company focused exclusively on developing targeted therapies for RAS-addicted cancers. Roivant is a commercial-stage biopharmaceutical company with a focus on developing and commercializing transformative medicines, primarily in inflammation and immunology. Finally, Twist is a leading synthetic biology company that revolutionized the industry by industrializing DNA production. To fund these holdings, we exited Alnylam Pharmaceuticals and Insmed due to increasing commercial concerns. We also sold Mettler-Toledo International amid persistent uncertainty in global industrial and life sciences spending.

We exited BILL Holdings and Procore Technologies, primarily due to a widening of outcomes related to AI. We also sold Sherwin-Williams due to continued weakness in the residential housing market.

Overall, these decisions reflect our focus on investing in best-in-class companies with large addressable markets and innovative technologies while reducing our exposure to companies where competitive dynamics or customer spending patterns may be structurally challenged.

Outlook

Balancing optimism and caution amid uncertainty

We remain constructive on AI as a key driver of market returns. However, we don't expect the growth to be entirely linear and without knock-on effects. AI is reshaping competitive dynamics across multiple industries. In areas such as software and data services, investors are increasingly focused on potential pressure on pricing and switching costs, and companies once viewed as having wide competitive moats are now under closer scrutiny. The result is meaningful dispersion and pressure on valuations, as the market sorts companies into AI winners versus those increasingly exposed to AI-driven disruption.

We are closely monitoring a mixed macro backdrop: robust AI capital expenditure and exceptional earnings from a handful of companies set against 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 innovative companies capable of growing through a range of macroeconomic environments.

Looking ahead to the second half of 2026, we're relatively optimistic that economic growth could broaden beyond AI. We're encouraged by the opportunity set, particularly companies gaining market share with identifiable growth drivers such as pricing power, product innovation and growing end markets. We remain disciplined long-term investors, and we expect periods of volatility to create opportunities to invest where market sentiment diverges from underlying fundamentals.

Sector Weights

As of 06/30/26

Sector	% of TNA	Russell Midcap Growth
Communication Services	0.9	5.3
Consumer Discretionary	14.4	11.6
Consumer Staples	2.0	2.0
Energy	1.8	3.9
Financials	3.5	4.4
Health Care	15.3	12.5
Industrials	28.2	21.6
Information Technology	31.2	32.3
Materials	2.1	1.6
Real Estate	N/A	2.2
Utilities	N/A	2.6
Cash and Other	0.5	N/A

Ten Largest Holdings

As of 06/30/26

Security	% of TNA
Teradyne Inc.	4.5
Datadog Inc., Class A	4.0
Rockwell Automation Inc.	3.6
KLA Corp.	3.5
W.W. Grainger Inc.	3.4
Quanta Services Inc.	3.0
StandardAero Inc.	2.9
Hubbell Inc., Class B	2.9
Monolithic Power Systems Inc.	2.9
Hilton Worldwide Holdings Inc.	2.9

Portfolio holdings are subject to change.

Portfolio Managers

**Ian Sexsmith, CFA**Portfolio Manager,
Senior Analyst

Experience: 22 years

**Shivani Vohra**Portfolio Manager,
Senior Analyst

Experience: 13 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.

Revenue growth is the percentage increase or decrease in a company's revenue over a specific period, reflecting its ability to expand sales and generate income.

Important Information

The Russell Midcap® Growth Index is a widely recognized index of common stock prices. The Russell Midcap Growth Index measures the performance of the mid cap growth segment of the U.S. equity universe. It includes those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values. An investor cannot invest directly in an index. Index performance includes the reinvestment of dividends and capital gains. 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, the investment adviser has contractually agreed to reduce its investment advisory fee to the extent necessary to limit total annual fund operating expenses to 0.80% of net assets for the Parnassus Mid Cap Growth Fund (Investor Shares) and 0.68% of net assets for the Parnassus Mid Cap Growth 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.

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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