PARNASSUS INVESTMENTS®

INVESTMENT COMMENTARY
2Q 2024

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 3.74% (net of fees) for the quarter, underperforming the Russell 1000 Growth Index's 8.33%.
- The underperformance was primarily driven by our stock selection in the Information Technology sector. An overweight position and stock selection in the Financials sector also detracted.
- We took advantage of recent sell-offs to add two new positions in Financials and Information Technology: MSCI and Workday, respectively. We offset these new holdings by trimming our existing positions and selling Palo Alto Networks within Information Technology.
- We continue to focus on taking a balanced approach to positioning the portfolio in neither an overly offensive or defensive way given the market environment, and to focus on high-quality businesses with strong growth potential.

Market Review

U.S. equities advanced in the second quarter of 2024. Once again, as in recent periods, a concentrated group of large-cap stocks in the Information Technology and Communication Services sectors generated a disproportionate share of the returns. Investor enthusiasm for companies expected to benefit from soaring investment in artificial intelligence (AI) continued to drive performance and greater concentration in the market. The U.S. economy stayed resilient, with continued growth, relatively robust employment data and moderating inflation. The market's consensus expectation is now for one or two interest rate cuts by the Federal Reserve toward the end of the year. Within the Russell 1000 Growth Index, the Information Technology, Communication Services and Utilities sectors performed the best, while the Materials, Industrials, Financials and Real Estate sectors all posted negative returns.

Fund Facts	Investor Shares	Institutional Shares
Ticker	PFGEX	PFPGX
Net Expense Ratio[1]	0.84%	0.63%
Gross Expense Ratio	2.89%	1.86%
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 06/30/2024	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since 12/28/2022
PFGEX – Investor Shares	3.74	31.95	N/A	N/A	N/A	41.74
PFPGX – Institutional Shares	3.78	32.21	N/A	N/A	N/A	42.03
Russell 1000 Growth Index	8.33	33.48	11.28	19.34	16.33	45.28

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

AI-related narratives drove extreme market concentration

The Fund (Investor Shares) returned 3.74% (net of fees), trailing the Russell 1000 Growth Index's 8.33%, with underperformance driven primarily by our stock selection in the Information Technology sector, where a select few companies outgained most of the market. An overweight position and stock selection in the Financials sector and an overweight in the Materials sector also curbed results. Conversely, our stock selection in the Health Care, Consumer Staples and Communication Services sectors contributed to performance.

The Fund's top relative contributors included companies benefiting from the surge in AI investment (Alphabet, Taiwan Semiconductor Manufacturing Company and Applied Materials). Among our largest detractors were our underweight positions in Apple and NVIDIA, two companies that gained largely on investor confidence in their AI-related growth prospects.

Top Contributors

Alphabet's stock rose on the strength of robust first-quarter revenue growth underpinned by noteworthy gains in search advertising, YouTube advertising and the cloud business. Signs that the company is accelerating its development of AI solutions buoyed investor optimism.

Taiwan Semiconductor Manufacturing Company's leading position in AI chip production continued to boost investor sentiment on the stock. During the quarter, announcements by several large technology companies to expand their AI investments signaled insatiable demand for TSMC's chips and contributed to the stock's rise.

Natera, an industry leader in genetic testing, reported favorable financial results for the first quarter of 2024. The company reached cash flow breakeven early and raised full-year guidance. We are optimistic that upcoming catalysts will continue to fuel growth in its women's health and oncology businesses.

AstraZeneca gained after announcing robust first-quarter results and setting 2030 targets at an Investor Day that were above consensus expectations. We continue to believe that AstraZeneca's robust pipeline and industry-leading innovation in oncology should support above-expectation revenue growth for the next several years.

Applied Materials is the world's largest supplier of wafer fabrication technologies used in semiconductor manufacturing. The company reported solid earnings for the quarter, and investors believe Applied Materials should continue to benefit from accelerated industry spend due to AI and share gains.

Bottom Contributors

Adyen shares tumbled during the quarter as investors were disappointed that the payments processor met but did not exceed revenue expectations. Encouragingly, the company reported an expansion of its relationship with a key digital customer and reiterated optimistic medium-term guidance.

Apple gained but detracted from relative performance due to our underweight. While the company's overall and iPhone revenues declined year over year, the unveiling of an upgraded iPad Pro and iPad Air boosted investor sentiment. In particular, the introduction of generative AI features allayed concerns that Apple was not keeping pace with competitors.

NVIDIA rallied but detracted from relative returns due to our underweight. The maker of generative AI chips once again reported exceptional quarterly results and increased its guidance for the upcoming quarter.

Salesforce's growth continues to moderate, and investors question its prospect as it relates to AI. We remain confident that the company, which developed the original salesforce automation product and pioneered the SaaS (software as a service) delivery model, is well positioned to capitalize on emerging AI opportunities.

Procore Technologies declined, even though the construction management software company reported solid earnings. Investors are concerned about weak demand among Procore's client base and across industrials. We believe this weakness is temporary and still like the long-term growth prospects and digital transformation opportunity for the industry.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Alphabet Inc. Class A	8.10	20.82	0.51
Taiwan Semiconductor Manufacturing Co., Ltd. Sponsored ADR	1.68	28.07	0.30
Natera, Inc.	1.67	18.40	0.15
AstraZeneca PLC Sponsored ADR	1.63	15.11	0.11
Applied Materials, Inc.	1.96	14.64	0.08

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Adyen N.V. Unsponsored ADR	2.29	-29.80	-1.06
Apple Inc.	3.41	22.99	-0.96
NVIDIA Corporation	5.62	36.74	-0.92
Salesforce, Inc.	3.34	-14.64	-0.69
Procore Technologies Inc.	1.64	-19.30	-0.53

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

Largest relative sector weightings remain the same

As of June 30, 2024, the Fund's most significant sector weights relative to the benchmark remain the same. The Fund's largest overweight positions are in the Financials and Health Care sectors, while its largest underweight positions are in the Information Technology and Consumer Discretionary sectors.

The Financials sector continues to be our largest sector overweight position. We opportunistically added market index provider MSCI during the quarter. We believe MSCI complements our existing names as a must-have data provider to the asset management industry. Like our other holdings, MSCI has unique end market exposure, high operating leverage and limited balance sheet risk. To fund MSCI, we trimmed some of our existing positions and sold Old Dominion Freight Line. This sale turned our overweight to an underweight in Industrials, which continues to face cyclical demand risk.

Our relative Health Care exposure increased slightly. We continue to favor our catalyst-rich names across subsectors, including medical devices, biopharma, life science tools and payors. We prefer the relatively defensive and idiosyncratic growth opportunities in Health Care to the businesses and valuations in Consumer Staples, where we remain underweight.

Our underweight positions in the Information Technology and Consumer Discretionary sectors were primarily driven by our limited exposure to large benchmark constituents Apple, NVIDIA, Tesla and Amazon. Our underweights in Apple and NVIDIA were both negative relative contributors for the quarter. To help offset this underweight, we continued to add to our overall semiconductor exposure. Within Information Technology, we added Workday and funded it with the sale of Palo Alto Networks.

We made no material changes to our positions in the Consumer Staples, Communication Services or Materials sectors. We do not own any Energy, Real Estate or Utilities stocks.

Outlook

The market environment calls for a balanced approach

We have maintained our balanced approach to portfolio positioning. The investment landscape remains favorable for stocks and risk assets, given moderating inflation, robust consumer demand, resilient wages and strong corporate earnings growth. In this environment, investor optimism has led to an elevated overall market valuation.

We remain focused on companies that have dominant market positions and growth supported by long-term secular trends. We are taking advantage of volatility to add to what we believe are high-quality businesses with strong growth potential at reasonable valuations.

We continue to anchor the Fund's defensive exposure in Health Care, where we invest in businesses with cash flow that is less macro sensitive and in companies with strong catalysts. We are trimming some of our exposure to payments processors and Industrials companies with cyclical sensitivity in favor of those with more recurring revenue and must-have products within the Financials and Industrials sectors.

Portfolio Activity

Activity	Security Name	Ticker	Sector	Rationale
Bought	MSCI Inc.	MSCI	Financials	MSCI, a global provider of market indices, demonstrates category leadership, high margins, stickiness of customer relations, and a strong history of careful capital allocation and shareholder returns. We acquired the stock at an attractive valuation due to weak earnings that we believe are short term in nature and should improve over time.
Bought	Workday Inc., CL A	WDAY	Information Technology	Workday is a category leader serving a large, growing enterprise software market. Despite near-term macro uncertainty across software, we believe Workday is well positioned long term, and key initiatives such as its partnership with other service providers can drive incremental growth over the next few years.
Sold	Old Dominion Freight Line Inc.	ODFL	Industrials	We have owned Old Dominion since the Fund's inception, and it has been a profitable position. We believe the competitive landscape has consolidated into a stronger peer set, and MSCI offers more attractive returns.
Sold	Palo Alto Networks Inc.	PANW	Information Technology	Palo Alto Networks has been a profitable position for the portfolio. Given its elevated valuation, we decided to sell it to fund the purchase of Workday, where we see greater opportunity and a clearer story of margin expansion potential.

Sector Weights

As of 06/30/24

Sector	% of TNA	Russell 1000 Growth
Information Technology	44.2	47.0
Communication Services	11.0	12.7
Industrials	4.2	5.0
Health Care	14.7	10.1
Financials	10.4	5.5
Consumer Staples	1.9	3.7
Materials	2.8	0.6
Real Estate	0.0	0.7
Consumer Discretionary	8.7	14.1
Energy	0.0	0.5
Utilities	0.0	0.1
Cash and Other	1.9	0.0

Ten Largest Holdings

As of 06/30/24

Security	% of TNA
Microsoft Corp.	8.4
Alphabet Inc., Class A	8.1
NVIDIA Corp.	7.7
Amazon.com Inc.	4.9
Apple Inc.	4.5
Visa Inc., Class A	4.1
Eli Lilly & Co.	3.4
Salesforce Inc.	3.3
Broadcom Inc.	2.9
Intuit Inc.	2.4

Holdings are subject to change.

Portfolio Managers

Andrew Choi

Portfolio Manager,
Senior Analyst

Experience: 12 years

Shivani Vohra

Portfolio Manager,
Senior Analyst

Experience: 11 years

Glossary

Cash Flow refers to the net amount of cash and cash equivalents being transferred in and out of a company. Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a fixed basket of consumer goods and services (such as food, transportation, shelter, utilities, and medical care), and is widely used as a cost-of-living benchmark.

Earnings Growth is the change in an 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.

Important Information

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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 May 1, 2024, 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, 2025, 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 financially material 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.