



**July 2021**

## **Parnassus Investments Partners with Affiliated Managers Group**

### ***Key Parnassus Leaders Make Long-Term Commitments to the Firm***

*Parnassus Investments has signed an agreement to enter into a partnership with Affiliated Managers Group (AMG), a leading partner to independent active investment firms globally. Over the past three decades, AMG's unique partnership approach has preserved the operational and investment autonomy of its partner-owned Affiliates.*

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### **Why did Parnassus and AMG choose this partnership?**

Parnassus and AMG have complementary businesses, and we believe that AMG's approach will support the sustainability and success of Parnassus for the long term, enabling us to continue to prioritize positive outcomes for our clients. AMG's strategy is to generate long-term value by investing in leading independent active investment managers. AMG's partnership approach preserves each Affiliate's unique entrepreneurial culture and fully independent investment decision-making process, while offering strategic capabilities in areas where the scale of a global firm is a benefit – such as marketing and distribution. AMG's approach does not involve any integration of Affiliate firms or their operational or investment functions. AMG collaborates with Affiliates to align equity incentives across generations of Affiliate partners and facilitate succession planning and offers a range of other strategic support services in which each Affiliate can opt to participate, depending on the needs of its particular business.

As you know, Parnassus is a fundamental research-driven firm. There will be no change to Parnassus's longstanding environmental, social and governance-focused, high-conviction, low-turnover investment process resulting from AMG's investment. Following the closing of our partnership with AMG, we will continue investing on behalf of our clients in the same way that we do today.

Parnassus and AMG have a strong cultural alignment in terms of their respective partnership orientations, a shared long-term focus on building growing investment firms and ensuring their long-term sustainability, and deeply held beliefs in the value of responsible investing for client value creation as well as global sustainability. Given these shared values and our search for a strong permanent partner with which to build and execute our firm's succession plan, along with AMG's three decades of experience in advising and collaborating with independent firms, AMG was the natural choice for Parnassus.

Our partnership with AMG marks the culmination of the transition from our founder to the next generation of our seasoned leadership team within Parnassus' long-term succession plan. The partnership provides greater certainty for our clients, given the stability of a long-established source of permanent capital; AMG's reputation across clients and consultants for being a good partner; and the commitments by Chief Executive Officer Benjamin Allen and Chief Investment Officer Todd Ahlsten to provide leadership to Parnassus for many years to come. Other key personnel will also be aligned with the long-term interests of our investors and AMG through direct equity ownership. Our agreement with AMG broadens equity ownership across more portfolio managers and other leaders, and the AMG structure will also provide additional incremental equity ownership to Parnassus partners over time.

### **Can you tell me more about AMG?**

AMG is a leading partner to independent active investment management firms globally. Publicly traded (NYSE: AMG) since 1997, the company was started in 1993 to provide a distinctive solution to the inevitable issue facing all partnership investment firms: demographic transition and long-term succession planning. Today, AMG offers a wide array of partnership solutions that address a broad range of growth stages, from growth capital to distribution support to a full succession solution. AMG's strategic value-added capabilities enhance the long-term growth of its independent Affiliates, enabling them to align equity incentives across generations of Affiliate partners.

Long-term sustainability of independent investment management firms has been at the heart of AMG's strategy since inception, in working closely with Affiliates to design and implement management succession over time and support Affiliate growth initiatives. AMG's unique partnership approach preserves the entrepreneurial orientation that distinguishes the most successful independent firms. AMG acts as a permanent institutional partner to its Affiliates, which share a common philosophy and goal of building an enduring franchise. Affiliate partners retain direct equity ownership in their own firms, and therefore maintain a long-term perspective in managing and growing their businesses. Retained equity creates strong alignment of interests between clients, Affiliates, and AMG. Each Affiliate operates independently and invests autonomously, with an owner and partnership-based culture focused on delivering outstanding results for clients.

As of March 31, 2021, AMG's aggregate assets under management were approximately \$738 billion across a broad range of active, return-oriented strategies. For more information, please visit AMG's website at [www.amg.com](http://www.amg.com).

### **What did Parnassus consider when selecting a partner?**

Parnassus leaders Benjamin Allen and Todd Ahlsten partnered with founder Jerome Dodson in considering approaches for the firm's future. These key decision-makers were keenly focused on sustaining the unique, independent culture of Parnassus, including its partnership orientation incorporating a commitment to team members at all levels of the organization, and continuity for our investors. Upon Jerry's retirement from portfolio management and all managerial duties in 2020, Parnassus decided to choose a partner to facilitate the transition of his equity, enhancing equity incentives and ownership among the next generation of leadership.

Parnassus and AMG built a relationship over more than a decade, with each firm getting to know the other through conversations that took place over the years. After careful consideration, Parnassus leaders decided that to sustain Parnassus' partnership culture and independence, and given the long-term objectives of the firm, its cultural alignment with AMG, and AMG's unique partnership approach, the best course of action for our company's future would be to enter into a long-term partnership with AMG.

### **When is the deal expected to close?**

The transaction was announced on July 6, 2021 and is expected to close in the second half of 2021.

### **What are the terms of the deal?**

Upon closing, AMG will own a majority of the firm's equity, but Parnassus partners will retain a significant equity stake in the firm, thereby maintaining a strong alignment of Parnassus leadership with clients and with AMG. Our partnership is consistent with the approach through which AMG has successfully partnered with other firms like Parnassus for nearly 30 years, to ensure the long-term success of each Affiliate franchise for generations of leadership to come. In addition, our agreement with AMG broadens equity ownership across more portfolio managers, and the AMG structure will also provide incremental equity ownership to Parnassus partners over time.

AMG and Parnassus will share economic incentives that balance operational flexibility with Parnassus' growth objectives and returns to AMG shareholders.

As part of the agreement, Chief Executive Officer Benjamin Allen and Chief Investment Officer Todd Ahlsten will sign 10-year employment agreements. At the end of 10 years, 2-year non-compete agreements will take effect. This will ensure that the two top investment and business leaders of Parnassus will provide continuity for investors.

AMG intends to provide a permanent source of capital for Parnassus Investments, which solves fundamental issues regarding the firm's succession planning. AMG will be supportive of Parnassus' ongoing business strategy and disciplined growth trajectory.

### **What services will AMG provide to Parnassus?**

At the deal's close, Parnassus will operate much as it has over its 35+ year history. AMG's partnership approach ensures that each Affiliate's investment process remains entirely independent, with no influence from AMG or other AMG Affiliates. The firm will continue to implement its fundamental environmental, social and governance (ESG) strategies, manage its relationships with its investors and handle its accounts with full discretion. AMG offers its Affiliates growth capital, seed capital, a proven global distribution platform, strategic and consultative services, and other value-added capabilities which enhance the long-term growth of independent, partner-owned Affiliates. Parnassus may choose to avail itself of various AMG capabilities, which are all offered on an opt-in basis. Any services that Parnassus chooses will be at our election, based on our firm's own strategic and business objectives, with the goal of offering our current and future clients' outcomes consistent with our shared principles and objectives.

### **What is the role of Jerome Dodson and other key investment leaders after the sale?**

AMG's investment in Parnassus marks the final step in completing the transition from the founding generation of management to the seasoned next generation within our long-term succession plan. Jerome Dodson retired from portfolio management and all managerial functions in 2020, and after the closing of the transaction, Mr. Dodson and his family will no longer retain any ownership of Parnassus. Parnassus' relationship with AMG was built in part through learning from and consulting AMG over the years on positioning the firm for its transition to next-generation leadership.

Mr. Dodson is the firm's founder, and his original vision of seeking to beat the market by investing responsibly will continue to be a source of inspiration for the generation ahead. He has expressed an interest in fulfilling philanthropic goals with the sale proceeds, to benefit future generations.

As mentioned above, CEO Benjamin Allen and CIO Todd Ahlsten will remain at the helm and are committed to the business for the long-term. As a manifestation of that commitment, they have formally committed to leading the business for a minimum of 10 years, with restrictive covenants for at least 12 years. They, along with other key investment professionals, will also continue to hold substantial ownership stakes in Parnassus, and the partnership group will

become more broadly equitized both at the closing of the transaction and incrementally over time.

We are grateful to Mr. Dodson for his vision in leading the firm over 35 years, and we wish him the best in his retirement.

### **Will there be other changes to Parnassus due to the transaction?**

Parnassus expects to operate as it has over its 35+ year history. The firm will continue to be located at One Market Street in San Francisco (post-COVID) with the same staff. AMG's investment will have no effect on the firm's employees other than increasing alignment through broader and greater equity ownership, making it more attractive for talented team members to remain at Parnassus for the long term. There will be no changes to the investment team (including any of the strategies' portfolio managers). Nor will the partnership with AMG result in changes to the product set or our partners or suppliers. The independent board of trustees will continue with its duties under the leadership of its chairperson, Alecia DeCoudreaux. Pending the proxy vote, the board is expected to expand.

The firm will not make any changes to its relationship management approach or customer service contacts with the establishment of this partnership. The website will continue to be [parnassus.com](http://parnassus.com), with no change to the look, feel or frequency of updates.

### **Will my account change?**

Under no circumstances will the transaction between AMG and Parnassus Investments cause your account information to change. If you currently invest directly with Parnassus, you will continue to invest through our transfer agent, Ultimus. There will be no changes to account forms or web-based transactions. Likewise, if you invest through a broker-dealer or platform, there will be no changes as a result of this transaction.

### **Will my contact person change?**

No. If you invest directly with Parnassus, you can continue to rely on our team to answer questions relating to your account. The telephone number is 800-999-3505 and we can take your call Monday through Friday from 8:30 am to 6:00 pm ET.

If you are an investment professional, there will be no change to your relationship manager. Contact information can be found [here](#).

## **How can I get more information?**

We anticipate producing several client communications and regulatory documents that will help you better understand this transaction and its implications.

First, there will be a supplement to the prospectus that serves as a notice of the transaction. Second, there will be documents for investors, including this document and a press release. Third, we will place a notice on the home page of our website and provide certain alerts elsewhere on the website. Those on our email list also will receive an email. If you are not on our email list and would like to sign up, click [here](#). Finally, we will host a conference call approximately one week after the initial announcement to allow you to gain further perspective from senior-level executives.

Mutual fund shareholders will receive additional communications in the months ahead. At a later date, you will be asked to vote on the partnership with AMG. Instructions on how you can place your vote will be provided at the appropriate time.

## **Is there anything I need to do?**

No. We want to thank you for investing with Parnassus. We assure you that we have given this partnership with AMG careful and considered thought. The goal of our CEO Benjamin Allen, our CIO Todd Ahlsten and the rest of the executive team is to provide a seamless experience for our investors as we ensure that the entire Parnassus team is properly set up to invest in the years ahead on your behalf. We believe this transaction serves the interests of our mutual fund investors and other investors in our strategies.

Mutual fund investing involves risk, and loss of principal is possible.

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

**ENVIRONMENTAL, SOCIAL, AND GOVERNANCE 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.

**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 contain this information. A prospectus or summary prospectus can be obtained on the Parnassus website, [www.parnassus.com](http://www.parnassus.com), or by calling (800) 999-3505.**