

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

- The Fund (Investor Shares) returned 8.55% (net of fees) for the quarter, outperforming the Russell Midcap Growth Index's 6.54% return.
- Stock selection was mostly positive, aiding performance. Selection in the Health Care sector was the largest contributor, while selection within Real Estate weighed on relative results.
- The Fund's position in Industrials shifted from underweight to the second-largest overweight behind Information Technology.
- The Fund's emphasis on quality factors is benefitting from easing cyclical pressures and company-specific opportunities.

Market Review

The Russell Midcap Growth Index finished a volatile quarter with a 6.54% return. Two sharp selloffs in the quarter, during the first weeks of August and September, were met with rallies. Investors bought the dips on reassuring economic data, including a positive revision to second quarter GDP and better-than-expected second quarter earnings. Inflation continued to ease, allowing the Federal Reserve to refocus on the labor market, where some weakness in employment tempered optimism of a soft landing. In anticipation of a rate cut, interest-rate-sensitive stocks rose through the quarter. The market rally spread from the Magnificent 7 and broadened across sectors and market caps, as midcap stocks outperformed large caps. The Fed's aggressive rate cut of 50 basis points in September indicated that employment uncertainties and cyclical pressures could weight on growth.

Fund Facts	Investor Shares	Institutional Shares
Ticker	PARNX	PFPRX
Net Expense Ratio ¹	0.80%	0.68%
Gross Expense Ratio	0.81%	0.71%
Inception Date	12/31/1984	04/30/2015
Benchmark	Russell Midcap Growth Index	
Asset Class	U.S. mid cap growth	
Objective	Capital appreciation	

Performance

As of 09/30/2024	Annualized Returns (%)				
	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
PARNX - Investor Shares	8.55	31.01	2.10	8.84	9.15
PFPRX - Institutional Shares	8.57	31.16	2.21	8.98	9.29
Russell Midcap Growth Index	6.54	29.34	2.32	11.48	11.30

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

Stock selection broadly aided results

The Fund (Investor Shares) returned 8.55% (net of fees) for the quarter, outperforming the Russell Midcap Growth Index's 6.54% return. While stock selection was mostly positive across sectors, selection in the Health Care sector was the largest contributor, buoyed by a strong quarter from life sciences leader Agilent Technologies. Selection within Real Estate weighed on relative results.

For the year-to-date, the Fund returned 13.32%, outperforming the benchmark return of 12.91%. Selection within Information Technology led outperformance, while selection within Real Estate hampered relative returns.

Top Contributors

Guidewire Software, the leading software provider for property and casualty insurers, is reaping the benefits of its cloud migration efforts as it continues to penetrate the market with its comprehensive platform of claims, billing and policy management solutions.

Equifax, a consumer credit reporting agency, is poised to benefit from a rebound in the mortgage market thanks to its unique employment and consumer credit datasets.

Sherwin-Williams Company, the largest U.S. residential paint provider, has managed to maintain strong growth in less-than-ideal macro conditions by offering compelling value and further stands to benefit from an improving real estate market.

MercadoLibre, Latin America's leading e-commerce marketplace, continues to fortify its leadership position with an impressive ecosystem of products, from shipping to financial services, resulting in improved earnings per share.

Trane Technologies, a leading global climate solutions company, provides sustainable HVAC systems for commercial and residential applications. The company benefits from several long-term secular trends, such as global warming and sustainability mandates.

Bottom Contributors

Teradyne, a supplier of automated test equipment for semiconductors, was affected by a broad sell-off in semiconductor-related stocks. We see some "green shoots" in demand and believe Teradyne is well positioned as artificial intelligence moves to smartphones and PCs.

KLA Corporation, a provider of process control and yield management semiconductor equipment, also fell along with declines in semiconductor stocks. It is also well positioned to benefit from a rebound in the semiconductor segment.

Atlassian Corporation, a workflow software provider, has faced short-term volatility due to the migration of their on-premises software offering to the cloud. The company's growth potential remains strong, and its profit picture should improve as the cloud transition is completed.

Cadence Design Systems, an electronic design automation (EDA) software and hardware company, was impacted as the semiconductor rally stalled. Its high market share puts it in a favorable position as market sentiment improves.

Western Digital Corporation, a leading supplier of data storage devices, is another holding impacted by the broad sell-off in semiconductor stocks as demand for its hard drives are impacted by similar cyclical factors.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Guidewire Software	5.84	32.67	1.39
Equifax	4.92	21.36	0.60
Sherwin-Williams	2.97	28.15	0.56
MercadoLibre	3.21	24.86	0.53
Trane Technologies	3.67	18.47	0.43

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Teradyne	4.09	-9.60	-0.66
KLA Corp.	3.33	-5.91	-0.45
Atlassian Corp.	1.94	-10.22	-0.41
Cadence Design Sys.	1.79	-11.93	-0.38
Western Digital Corp.	1.50	-9.87	-0.26

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

A long runway for our thematic overweights

We maintained our key thematic overweights in the Semiconductor, Software, Life Sciences Tools and Services industries, as well as housing-related companies. We also added a new overweight in the Transportation industry.

Semiconductors, a market darling during the first half of the year due to demand spurred by artificial intelligence (AI), trailed during the third quarter. We maintained our overweight position as we expect our Semiconductor holdings to benefit as AI moves from data centers to smartphones and laptops. Increasing semiconductor complexity is requiring more design, capital equipment and testing.

In Software, we added Autodesk and Cloudflare while exiting Bill.com. We believe Autodesk's dominant position in architecture, engineering and construction software allows it to increase margins and offer attractive revenue growth. Cloudflare has built its own internet network, providing its customers with lower latency and better security. We exited Bill.com as we had concerns around its competitive moat.

We also maintained the overweight in the Life Sciences Tools and Services industry. During the quarter, we sold IQVIA and added to our West Pharmaceutical position. We believe there is more upside in West's industry-leading injectables packaging business than in IQVIA's clinical research outsourcing business.

We continued a significant overweight in housing-related stocks compared to the benchmark. We were pleased to see our housing stocks rally as investors anticipated that the Fed's rate cuts could spur a housing rebound.

We welcomed J.B. Hunt to the portfolio during the quarter. The largest intermodal transportation provider in the country, J.B. Hunt is well positioned to benefit when freight volumes improve. We continue to own Old Dominion Freight Lines, which is, in our view, the best managed and most profitable less-than-truckload transportation provider in the country.

Portfolio Activity

Activity	Security Name	Ticker	Sector	Rationale
Sold	IQVIA Holdings Inc.	IQV	Health Care	We sold IQVIA because we see more long-term upside in other holdings in our portfolio.
Sold	LPL Financial Holdings Inc.	LPLA	Financials	We exited LPL Financial due to our concerns that regulatory scrutiny and competitor actions could reduce its net interest income and earnings power.
Sold	BILL Holdings Inc.	BILL	Information Technology	We sold Bill because we developed concerns around its competitive moat.
Sold	Nutrien Ltd.	NTR	Materials	We exited our position in Nutrien because we identified other stocks with more upside.

Outlook

A supportive fiscal and monetary backdrop for mid-cap stocks

Our near-term outlook for equities is positive although we are watching geopolitical and economic risks. During the third quarter, the Federal Reserve reduced its short-term interest rate by 50 basis points to stimulate the economy. The Fed has pivoted to an accommodative monetary policy as employment growth has slowed and inflation is decelerating. The U.S. government, meanwhile, continues to run a large deficit, which is also supporting the economy.

China, the world's second-largest economy, introduced a large package of monetary and fiscal stimulus to accelerate growth. The European Central Bank is cutting interest rates to stimulate the economy as well.

We believe that if the fiscal and monetary stimulus policies are successful, then our thematic overweights in the Life Sciences Tools and Services industry, and housing and freight transportation companies should provide tailwinds to the portfolio. We expect these companies to recover sharply from their rolling recessions.

If, however, an unexpected shock such as a geopolitical event causes the market to sell off, we believe that our strategy of investing in competitively advantaged businesses that gain market shares with strong balance sheets and seasoned management teams should provide some downside protection.

Portfolio Activity (Cont'd)

Activity	Security Name	Ticker	Sector	Rationale
Bought	J.B. Hunt Transport Services Inc.	JBHT	Industrials	J.B. Hunt is the largest provider of intermodal trucking services in the country. Freight volumes have been in an extended downturn, and we believe that freight volumes are poised to inflect higher and that J.B. Hunt's margins should recover sharply.
Bought	Autodesk Inc.	ADSK	Information Technology	Autodesk is a market-leading vertical software company with the ability to meaningfully improve its margins, while its revenue growth should accelerate as it completes its sales channel re-alignment.
Bought	Cloudflare Inc. Class A	NET	Information Technology	Cloudflare allows companies to access the internet faster and with greater security. The company is building new offerings on top of its network, allowing it to widen its competitive moat with high incremental margins. Cloudflare has a large addressable market that we believe provides a long runway for growth.

Sector Weights

As of 09/30/24

Sector	% of TNA	Russell Midcap Growth
Information Technology	34.2	26.7
Communication Services	2.6	4.4
Industrials	19.8	17.5
Health Care	14.2	13.8
Financials	8.6	11.2
Consumer Staples	N/A	2.5
Materials	3.1	1.4
Real Estate	1.9	1.4
Consumer Discretionary	14.5	15.5
Energy	N/A	3.9
Utilities	N/A	1.7
Cash and Other	1.1	N/A

Ten Largest Holdings

As of 09/30/24

Security	% of TNA
Guidewire Software Inc.	6.2
Equifax Inc.	4.9
Trane Technologies plc	3.9
Teradyne Inc.	3.4
MercadoLibre Inc.	3.4
Agilent Technologies Inc.	3.3
Ross Stores Inc.	3.3
KLA Corporation	3.1
Sherwin Williams Co.	3.1
Mettler-Toledo International Inc.	3.0

Portfolio holdings are subject to change.

Portfolio Managers



Ian Sexsmith, CFA

Portfolio Manager,
Senior Analyst

Experience: 20 years



Robert Klaber

Director, Sustainability
Research, Portfolio
Manager

Experience: 16 years

Important Information

PIL-618119-2024-10-08

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

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 May 1, 2024, 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, 2025 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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