

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 -9.98% (net of fees) for the quarter, underperforming the Russell Midcap Growth Index's -7.12% return.
- Communication Services detracted, driven by The Trade Desk's underperformance, while stock selection within Consumer Discretionary contributed to relative results.
- We were more active than usual this quarter, taking advantage of the market volatility to initiate positions in several disruptive, highly innovative companies whose valuations fell sharply during the selloff, which reduced the portfolio's underweight in Financials as well as its overweight to Industrials.
- We maintained the portfolio's thematic focus on freight transport, housing, life sciences tools, and semiconductors, selectively adding to high-conviction names during the market pull back.

Market Review

The Russell Midcap Growth Index posted a -7.12% return in the first quarter, which began with a continuation of the late-2024 rally but later gave way to a sharp decline. The emergence of DeepSeek, a Chinese artificial intelligence (AI) challenger, triggered a sharp selloff in AI software and infrastructure-driven stocks. Renewed tariff risks, government layoffs and recession fears also weighed on sentiment. The reversal was particularly sharp in momentum-led growth stocks. Market reactions to earnings remained outsized, with even modest surprises prompting sharp moves.

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 03/31/2025	Annualized Returns (%)				
	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
PARNX - Investor Shares	-9.98	-7.73	2.07	9.45	6.63
PFPRX - Institutional Shares	-9.94	-7.61	2.20	9.59	6.77
Russell Midcap Growth Index	-7.12	3.57	6.17	14.87	10.14

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. The Parnassus Mid Cap Growth Fund - Institutional Shares were inception on April 30, 2015. Performance shown prior to the inception of the Institutional Shares reflects the performance of the Parnassus Mid Cap Growth Fund - Investor Shares and includes expenses that are not applicable to and are higher than those of the Institutional Shares

Quarterly Performance Review

Reactive market presented opportunities to add to high-conviction positions

The Fund (Investor Shares) returned -9.98% (net of fees) for the quarter, underperforming the Russell Midcap Growth Index's -7.12% return. Stock selection within Consumer Discretionary and Industrials contributed to relative results, while stock selection detracted in Communication Services and Health Care.

MercadoLibre contributed, aided by economic tailwinds in Argentina, while O'Reilly Automotive benefited from its resilient nondiscretionary auto parts sales. The Trade Desk fell following a rare guidance miss and heightened concerns about competition, and Teradyne detracted on weak demand for analog semiconductors.

Top Quarterly Contributors

MercadoLibre, the leading e-commerce and payments platform in Latin America, contributed following strong quarterly results. Growth in its core marketplace and fintech segments remained resilient, with improved economic conditions in Argentina further supporting sentiment.

O'Reilly Automotive, an aftermarket auto parts retailer, helped performance as the company posted steady results and benefited from its exposure to nondiscretionary consumer spending. Its scale, execution, and countercyclical demand profile continue to support our conviction.

Guidewire Software, a provider of software to property and casualty insurers, performed well amid stable demand and continued market penetration. The company's focus on the insurance industry supports resilient performance across market cycles.

KLA Corporation, a provider of process control and yield management semiconductor equipment, added to performance following strong earnings. We view the company as well-positioned to benefit when broader semiconductor capital spending resumes.

Broadridge Financial Solutions, a leading provider of proxy communications and financial technology, contributed. The company benefited from strong seasonal trends in its governance business. Its high recurring-revenue business model reinforced investor confidence.

Bottom Quarterly Contributors

The Trade Desk, a digital advertising technology platform, detracted after missing guidance for the first time since going public. While the company faces concerns over rising competition from Amazon, we maintain our conviction in the company's leading technology and its independent platform.

Teradyne, a provider of semiconductor test equipment, fell following disappointing results and guidance. Weakness in analog and industrial semiconductor demand weighed on investor sentiment. We view the company as well-positioned for an eventual recovery in its end markets.

Block, a financial services and digital payments provider, underperformed after falling short of growth expectations. While the company continues to enhance its Cash App and Square offerings, weaker near-term guidance pressured the stock.

West Pharmaceutical Services, a leader in packaging for injectable therapies, declined after lowering guidance due to ongoing customer destocking. While the core injectable components business remains strong, the surprise exit by two major customers in their contract manufacturing business added uncertainty.

Datadog, a cloud observability platform, detracted as cautious guidance and potential customer insourcing of monitoring functions spooked investors. Despite near-term volatility, we remain constructive on its long-term position as enterprise cloud complexity increases.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
MercadoLibre	3.73	14.73	0.77
O'Reilly Automotive	2.18	20.81	0.48
Guidewire Software	2.69	11.14	0.39
KLA Corporation	2.67	8.13	0.37
Broadridge Financial Solutions	3.12	7.66	0.33

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Trade Desk	3.33	-53.44	-1.49
Teradyne	3.27	-34.33	-0.84
Block	2.85	-36.07	-0.76
West Pharmaceutical Services	2.07	-31.61	-0.48
Datadog	2.78	-30.57	-0.41

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

Capitalizing on market weakness while maintaining our thematic overweights

We were more active than usual this quarter, adding eight stocks and using the steep market drop to buy great companies at more attractive prices. From mid-February through quarter-end, our benchmark fell 16%, with some of 2024's market darlings declining even more.

We initiated positions in several disruptive, highly innovative companies whose valuations fell sharply during the sell-off. Robinhood is attracting a new generation of brokerage customers through its intuitive electronic trading platform. Applovin's machine-learning engine optimizes mobile ad delivery and improves with scale, creating a winner-take-most dynamic. Natera leads the fast-growing, underpenetrated liquid biopsy market. We also re-initiated a position in Bill.com, whose financial operations platform reduces cost and complexity for small- and mid-sized businesses.

We also added four competitively advantaged, highly profitable and market-share-gaining companies whose stocks had sold off due to what we view as transitory issues. Chipotle continues to gain share in fast casual thanks to its strong value proposition. Builders FirstSource is the largest distributor in a fragmented residential building products industry, with attractive value-added offerings and a growing e-commerce platform. Icon, a leading clinical research organization, should benefit as biopharma R&D increases over time. Finally, Ares is a fast-growing alternative asset manager with a leading private credit franchise. We don't know when the market will rebound, but we expect these new positions will lead the market higher whenever it does.

To make room for new additions, we exited Cintas, Verisk, Fortinet and Ross Stores, stocks, where we saw less upside relative to the return potential of our new holdings.

Quarterly Portfolio Activity

Activity	Security Name	Ticker	Sector	Rationale
Bought	AppLovin Corp.	APP	Information Technology	AppLovin provides an ad platform for mobile games. The platform includes an AI-driven tool that becomes more effective at ad targeting as it ingests more data, creating a winner-takes-all dynamic that should fuel future growth. After a strong run, AppLovin's stock sold off sharply during the recent momentum unwind, allowing us to purchase the stock at an attractive price relative to its potential growth.

Outlook

Amid near-term uncertainty, we see long-term opportunity

The first quarter presented two distinct narratives. The Russell Midcap Growth Index surged 10% through mid-February on optimism around deregulation, lower taxes, and artificial intelligence (AI). Markets then reversed as DeepSeek's new AI model raised concerns about slowing AI capex, tariffs renewed global trade fears and the federal government began cutting spending and jobs. Leading indicators suggest economic growth weakened as companies and consumers pulled back amid the uncertainty.

We're disappointed that our portfolio trailed the market in the first quarter, but it was a tale of two halves. We trailed the market during the early rally, then outperformed by falling less than the market during the correction. We used the market's decline as an opportunity to pivot the portfolio towards offense.

Political and economic uncertainty is high, and it is unclear how long the sell-off could continue. However, we've seen that narratives can change quickly. If the current administration can streamline regulations, lower interest rates by reducing the deficit and reshore industrial production, the market could rally in anticipation of an accelerating economy. Since the Covid era, the market has been highly reflexive, with violent sell-offs often followed by significant rallies. We believe that our recent additions better position us to capture the upside in the next rally.

We're maintaining the portfolio's thematic overweights to housing, freight transportation, life sciences and semiconductors, all of which have been mired in rolling recessions that unfortunately did not improve during the first quarter. We remain upbeat about our innovative, market-share gainers in these industries, which we believe are positioned for both cyclical earnings growth and secular valuation re-rating. After prolonged downturns, we see our holdings as another quarter closer to recovery, with risk-reward skewed in our favor.

Uncertain times like these require patience and a long-term perspective. We believe our disciplined approach to investing in competitively advantaged businesses that gain market share with strong balance sheets and seasoned management teams offers the opportunity to capture market upside during market rallies and help protect on the downside during market downturns.

Quarterly Portfolio Activity (Cont'd)

Activity	Security Name	Ticker	Sector	Rationale
Bought	Ares Management Corp.	ARES	Financials	Ares is an alternative asset manager with a well-respected private credit franchise. The company's long-term capital commitments, significant dry powder and fee-based earnings model provide the potential for high earnings growth over the next few years.
Bought	BILL Holdings, Inc.	BILL	Information Technology	We re-initiated a position in BILL Holdings, which operates an innovative SMB-focused payments automation platform (Bill.com). We see significant growth potential ahead resulting from its ability to further penetrate the market for small- to medium-sized businesses.
Bought	Builders FirstSource, Inc.	BLDR	Industrials	As the largest building products distributor in the U.S., Builders FirstSource benefits from economies of scale in a fragmented market. We bought the stock after a sell-off due to a rise in interest rates. We expect Builders FirstSource will continue to gain market share, consolidate the market, and repurchase its stock thanks to its meaningful free cash flow.
Bought	Chipotle Mexican Grill, Inc.	CMG	Consumer Discretionary	Chipotle is a leader in the fast casual dining category, bolstered by its strong brand affinity and value proposition. We were able to buy the stock at an attractive price after it retreated from recent highs due to concerns around consumer spending.
Bought	ICON PLC	ICLR	Health Care	ICON is the second largest player in the clinical research organization (CRO) market due to competitive advantages created by its scale and long-standing customer relationships. We bought the stock after it sold off following delays in R&D spend in the biotech industry. With the stock trading at a low valuation on cyclically depressed earnings, we think ICON will benefit as R&D spend improves and as the company continues to gain market share.
Bought	Natera, Inc.	NTRA	Health Care	Natera is an innovative market leader in the growing and under-penetrated liquid biopsy market, with the potential for meaningful profitability at scale. We were able to invest in the stock after it had fallen from its highs.
Bought	Robinhood Markets, Inc.	HOOD	Financials	Robinhood is a fast-growing trading platform that allows ordinary investors to access trading at any time during the week. The company is expanding its product offerings and growing in international markets. We were able to invest in the stock after it retreated from recent highs.
Bought (Spun-off)	SanDisk Corp.	SNDK	Information Technology	SanDisk is a global leader in data storage solutions using flash memory technology. The company was spun off from our holding in Western Digital Corp. We believe that SanDisk can benefit cyclically from anticipated increases in NAND memory demand and secularly from demand for AI data centers.
Sold	Cintas Corp.	CTAS	Industrials	We exited Cintas in favor of other stocks that we believe have greater upside potential.
Sold	Fortinet, Inc.	FTNT	Information Technology	We exited Fortinet in favor of other stocks that we believe have greater upside potential.
Sold	Ross Stores, Inc.	ROST	Consumer Discretionary	We exited Ross Stores in favor of other stocks that we believe have greater upside potential.
Sold	Verisk Analytics, Inc.	VRSK	Industrials	We exited Verisk in favor of other stocks that we believe have greater upside potential.

Sector Weights

As of 03/31/25

Sector	% of TNA	Russell Midcap Growth
Communication Services	2.9	3.9
Consumer Discretionary	11.6	14.3
Consumer Staples	0	2.2
Energy	0	4.9
Financials	10.3	11.9
Health Care	13.4	13.6
Industrials	22.7	16.9
Information Technology	36.3	28.2
Materials	1.7	1.1
Real Estate	0	1.2
Utilities	0	1.7
Cash and Other	1.0	0

Ten Largest Holdings

As of 03/31/25

Security	% of TNA
Equifax Inc.	4.8
Old Dominion Freight Line Inc.	4.4
J.B. Hunt Transport Services Inc.	3.9
Broadridge Financial Solutions Inc.	3.6
MercadoLibre inc.	3.4
Workday inc., Class A	3.3
Agilent Technologies Inc.	3.1
Hilton Worldwide Holdings Inc.	3.0
Guidewire Software Inc.	2.9
The Trade Desk Inc., Class A	2.9

Portfolio holdings are subject to change.

Portfolio Managers



Ian Sexsmith, CFA

Portfolio Manager,
Senior Analyst

Experience: 21 years



Robert Klaber

Director, Sustainability
Research, Portfolio
Manager

Experience: 17 years

Important Information

PIL-717324-2025-04-09

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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