

# 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 13.29% (net of fees) for the quarter, underperforming the Russell Midcap Growth Index's 18.20% return.
- The portfolio's holdings in the Industrials and Information Technology sectors hurt performance, offset slightly by holdings in the Financials sector.
- We maintained the portfolio's thematic focus on artificial intelligence (AI) exposure through software and semiconductor companies along with cyclical recoveries in housing, freight transportation and Life Science Tools and Services.
- We invested in a number of increasingly relevant and competitively advantaged businesses across a range of sectors during the quarter.

## Market Review

The Russell Midcap Growth Index posted a strong 18% return as U.S. equity markets posted robust gains in the second quarter, which began with a steep sell-off following President Donald Trump's announcement of harsher-than-expected tariffs on April 2. But stocks quickly reversed course and recovered from those losses as Wall Street cheered progress in international trade negotiations. Growth stocks handily outperformed their value stock peers as investors focused on the beneficiaries of the ongoing megatrend in AI. Against this backdrop, the best-performing sectors in the Russell Midcap Growth Index were Utilities and Communication Services, while the worst performers were Energy and Materials.

Fund Facts	Investor Shares	Institutional Shares
Ticker	PARNX	PFPRX
Net Expense Ratio <sup>1</sup>	0.80%	0.68%
Gross Expense Ratio	0.81%	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 06/30/2025	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
PARNX - Investor Shares	13.29	8.00	15.56	7.19	7.91
PFPRX - Institutional Shares	13.32	8.13	15.70	7.32	8.06
Russell Midcap Growth Index	18.20	26.49	21.47	12.66	12.13

**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](http://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

## Performance Review

### Industrials positioning weighed on relative performance

The Fund (Investor Shares) returned 13.29% (net of fees) for the quarter, underperforming the Russell Midcap Growth Index's 18.20% return. The portfolio's holdings in the Industrials, IT and Health Care sectors hurt performance, offset by holdings in the Financials sector and our lack of exposure to the Energy sector.

For the year-to-date period, the Fund (Investor Shares) returned 1.98% (net of fees), underperforming the Russell Midcap Growth Index's 9.79% return. The portfolio's holdings in the Health Care, IT and Communications Services sectors hurt performance, while the holdings in the Consumer Discretionary sector helped relative returns.

### Top Contributors

**Robinhood Markets**, a leading retail trading platform, performed well after strong earnings results. The company is seeing impressive market share gains from a new generation of brokerage customers.

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

**Cloudflare**, a cloud-based networking and cybersecurity provider, reported quarterly results that beat consensus estimates. The company is gaining more business from large enterprises and AI startups looking to build, secure and host next-generation workloads such as AI inferencing.

**KLA**, a provider of process control and yield management semiconductor equipment, added to performance following strong earnings. The company also increased its dividend and added \$5 billion to its existing share buyback plan.

**Datadog**, a cloud observability platform, advanced as the company reported better-than-expected first-quarter results and raised its full-year guidance. We remain constructive on its long-term position as enterprise cloud complexity continues to increase.

### Bottom Contributors

**J.B. Hunt Transport Services**, a leading logistics and intermodal transportation provider in the U.S., declined as the freight cycle remained sluggish and guidance fell short of expectations. We continue to monitor the cycle's progression and believe the company is well-positioned to benefit once freight demand recovers.

**Old Dominion Freight Line**, a leading less-than-truckload shipping company, detracted due to continued softness in the domestic economy and a sluggish freight cycle.

**Pool**, a distributor of swimming pool supplies and related products, underperformed after missing earnings and sales targets. Management also warned that large projects, such as new pool construction, remain under pressure.

**Builders FirstSource**, a leading supplier of building materials and construction services, detracted due to weak home sales in the high mortgage rates environment. We believe the firm continues to benefit from economies of scale in a fragmented market.

**Equifax**, a leading credit bureau in the U.S., detracted due to uncertainty surrounding tariffs and their impact on inflation and interest rates. The stock was also hit by concerns that lenders could move from pulling three credit files to two during the mortgage process.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Robinhood	2.68	124.96	1.95
MercadoLibre	3.31	33.97	0.50
Cloudflare	2.43	73.78	0.45
KLA	2.29	32.08	0.30
Datadog	2.65	35.40	0.25

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
J.B. Hunt	3.55	-2.63	-0.82
Old Dominion	4.08	-1.73	-0.67
Pool	2.34	-8.08	-0.56
Builders FirstSource	2.01	-6.60	-0.55
Equifax	4.91	6.69	-0.54

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

### Investing in market leaders and increasing our diversification

While AI dominates the current market narrative, we have invested in several competitively advantaged businesses with long-term prospects we believe are favorable and that are less correlated with AI.

During the quarter, we initiated a position in aircraft engine maintenance, repair and overhaul provider StandardAero, which offers a resilient business because its non-discretionary service provides strong recurring revenue. We also reinitiated a position in CoStar Group, a leading provider of information, analytics and online marketplaces for the real estate industry. As management refocuses on its core businesses, we expect CoStar's return on capital to improve dramatically, and we believe the stock will follow suit.

Within Health Care, we initiated a position in Alcon, a market leader in the eye care industry. We expect its culture of innovation will enable the company to accelerate market share gains and revenue growth during our investment horizon. We also reinitiated a position in Alnylam, a pioneer in RNA interference therapeutics. The company's innovative platform and expanding product portfolio in areas like cardiomyopathy should enable Alnylam to generate robust growth.

Within the Consumer Discretionary sector, we invested in Royal Caribbean Cruise Lines. We find the cruise industry attractive due to favorable demographic shifts, and we believe Royal Caribbean is positioned well because it is differentiating itself through new, larger ships and private island destinations. We also invested in SharkNinja, a global household products company that has been a consistent innovator across several categories including cleaning, cooking and beauty. We think the company has a long runway for growth driven by share gains in existing categories, expansion into new categories and international growth.

To make room for our new additions, we exited Western Digital and Repligen as we consolidated our semiconductor and life science tools positions into companies we believe have higher long-term growth prospects.

## Outlook

### Playing the long game in AI with a diversified portfolio

This was an exceptional quarter as the market experienced a big drawdown only to rebound and notch a very strong quarterly return. The benchmark's returns were concentrated in just a handful of names, as the top eight stocks generated approximately 55% of the benchmark's total return. All but one of these stocks are considered early AI beneficiaries. While we're pleased that we own two of the eight—AppLovin and Cloudflare—we know from history that the companies deemed to be "winners" with disruptive technologies can change quickly.

For example, during the dot-com era, the ultimate winners of the Internet revolution were often not the first movers, but rather the companies best able to learn from others and leverage the Internet's full potential. Our focus is on identifying the companies that we believe will successfully harness the power of AI to become long-term winners. We believe that our software holdings are particularly well positioned, including companies like Guidewire, Autodesk and Cadence, as their large datasets and existing customer relationships allow them to train the technology for specific use cases.

Semiconductors are the building blocks of all technology, including AI. Our portfolio reflects our view that software and semiconductor industries should benefit greatly over time as the adoption of AI continues.

We've also positioned the portfolio for cyclical recovery from rolling recessions in the areas of housing, freight transportation and life science tools. We remain upbeat about the prospects of our market share gainers in these industries, and we believe they have the potential for a cyclical increase in earnings combined with a secular valuation re-rating that could drive meaningful upside. These businesses should also be uncorrelated with AI, which provides diversification benefits to our portfolio.

## Quarterly Portfolio Activity

Activity	Security Name	Ticker	Sector	Rationale
Bought	Alcon AG	ALC	Health Care	Alcon is a dominant player in the eye care industry. The company operates in a strong, durable category, and ALC's product launches should enable them to continue to gain market share and experience accelerating growth.

## Quarterly Portfolio Activity (Cont'd)

Activity	Security Name	Ticker	Sector	Rationale
Bought	Alnylam Pharmaceuticals Inc.	ALNY	Health Care	Alnylam is a pioneer in RNA interference therapeutics, a novel class of medicines. With innovative products and a healthy cash balance, Alnylam provides high-quality biotech exposure. The company has the potential to generate strong long-term growth due to an expanding product portfolio in areas like cardiomyopathy.
Bought	CoStar Group Inc.	CSGP	Real Estate	We reinitiated a position in CoStar, whose proprietary information and analytics platform has durable competitive advantages in the commercial real estate industry. We believe the range of outcomes is favorable as its core business compounds earnings at a double-digit clip and the profitability of its home-buying marketplace Homes.com improves.
Bought	Royal Caribbean Group	RCL	Consumer Discretionary	We believe that Royal Caribbean is the highest-quality major cruise operator, differentiating itself with newer and larger ships and private island destinations that support pricing power. The company also stands to benefit from demographic shifts that favor the cruise industry.
Bought	SharkNinja Inc.	SN	Consumer Discretionary	SharkNinja has consistently designed innovative products across several consumer categories including cleaning, cooking, food preparation and beauty. We think the company has a long runway for growth driven by share gains in its existing categories, expansion into new categories and international growth.
Bought	StandardAero Inc.	SARO	Industrials	StandardAero's ability to quickly and reliably service a variety of aircraft engines in its global shop network makes it a partner of choice. Engine maintenance, repair and overhaul work is predictable and non-discretionary, and StandardAero has opportunities for growth from servicing new engines and working with more aircraft owners.
Sold	Repligen Corp.	RGEN	Health Care	We sold Repligen Corp to consolidate our health care holdings into our higher conviction ideas.
Sold	Western Digital Corp.	WDC	Information Technology	We sold Western Digital to consolidate our semiconductor holdings into our higher conviction ideas.

## Sector Weights

As of 06/30/25

Sector	% of TNA	Russell Midcap Growth
Communication Services	2.1	6.2
Consumer Discretionary	16.4	22.0
Consumer Staples	N/A	1.8
Energy	N/A	2.9
Financials	8.8	9.8
Health Care	13.3	13.8
Industrials	21.9	19.7
Information Technology	33.0	19.1
Materials	1.5	0.2
Real Estate	2.3	1.3
Utilities	N/A	3.2
Cash and Other	0.6	N/A

## Ten Largest Holdings

As of 06/30/25

Security	% of TNA
Equifax Inc.	4.6
Hilton Worldwide Holdings Inc.	4.1
Old Dominion Freight Line Inc.	3.2
MercadoLibre Inc.	3.1
Cloudflare Inc., Class A	3.1
Guidewire Software Inc.	3.0
Datadog Inc., Class A	3.0
J.B. Hunt Transport Services Inc.	2.7
Broadridge Financial Solutions Inc.	2.6
Teradyne Inc.	2.6

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

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 28, 2025, 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, 2026 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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