

Parnassus Mid Cap Fund

The strategy pursues strong long-term returns by holding 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 5.49% (net of fees) for the quarter, outperforming the Russell Midcap Index's 5.33% return.
- The Fund's outperformance was driven primarily by favorable stock selection in the Information Technology (IT) sector, along with an overweight exposure. The Fund's holdings in the Consumer Discretionary and Real Estate sectors also contributed, while Industrials and Financials holdings detracted.
- In the third quarter, we adjusted some holdings to improve the competitive positioning of our holdings. As part of that process, we made six new investments: two each in IT, Health Care and Industrials.
- We continue to position the portfolio to pursue outperformance in any environment. We favor companies with durable revenue growth, pricing power and strong balance sheets that can deliver earnings growth over a full business cycle.

Market Review

After a strong second quarter, when markets recovered from the February to early April sell-off related to tariffs and artificial intelligence (AI) spending concerns, the Russell Mid Cap Index continued to power higher, posting strong returns for the quarter. Investor sentiment was bolstered by renewed investor interest in the megatrend in AI, relatively stable economic data and solid corporate earnings. The Federal Reserve (Fed) cut interest rates for the first time in 2025, which offered another tailwind for the markets. Against this backdrop, the best performing sectors in the Russell Midcap Index were Communication Services, Utilities and IT, while the Consumer Staples sector was the only sector to end the quarter with a loss.

Fund Facts	Investor Shares	Institutional Shares
Ticker	PARMX	PFPMX
Net Expense Ratio ¹	0.95%	0.75%
Gross Expense Ratio	0.95%	0.78%
Inception Date	04/29/2005	04/30/2015
Benchmark	Russell Midcap Index	
Asset Class	U.S. mid cap blend	
Objective	Capital appreciation	

Performance

Annualized Returns (%)

As of 09/30/2025	3 Mos.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
PARMX - Investor Shares	5.49	6.98	14.52	7.82	9.42
PFPMX - Institutional Shares	5.53	7.21	14.76	8.04	9.65
Russell Midcap Index	5.33	11.11	17.69	12.66	11.39

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 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. Mid cap companies can be more sensitive to changing economic conditions and have fewer financial resources than large cap companies. The Parnassus Mid Cap Fund - Institutional Shares were inceptioned on April 30, 2015. Performance shown prior to the inception of the Institutional Shares reflects the performance of the Parnassus Mid Cap Fund - Investor Shares and includes expenses that are not applicable to and are higher than those of the Institutional Shares.

Performance Review

Boosts from Information Technology holdings

The Fund returned 5.49% (net of fees) for the quarter, outperforming the Russell Midcap Index's 5.33% return. Our holdings in IT helped relative performance, as did holdings in the Consumer Discretionary and Real Estate sectors. Conversely, our holdings in Industrials and Financials detracted.

For the year-to-date period, the Fund (Investor shares) returned 11.55% (net of fees), outperforming the Russell Midcap Index's 10.42% return. Our holdings in IT primarily helped performance along with our Materials and Consumer Staples sector holdings. Conversely, Communication Services, Industrials and Health Care sector holdings held back returns.

Top Contributors

Sandisk surged higher as the AI megatrend is boosting demand for memory and storage, particularly for ultra-high-capacity drives.

Lam Research, a designer and maker of semiconductor processing equipment, continues to be a big beneficiary of the AI megatrend.

Western Digital, a leading data storage products maker, advanced after the company's strong quarterly results. The AI megatrend is fueling demand for high-capacity, cost-effective storage.

KLA, a provider of process control and yield management semiconductor equipment, benefited from strong earnings. The company enables and supports the AI infrastructure buildout.

Bank of New York Mellon, the largest financial custodian in the world, advanced amid strong earnings results. America's oldest bank is an early leader in the adoption of AI, with a multiyear partnership with OpenAI.

Bottom Contributors

Fidelity National Information Services, a global financial technology company, detracted due to weak growth and a lack of margin improvement in the latest quarter. We're optimistic about the company's prospects as it focuses on its high-margin banking and capital market fintech businesses.

Brown & Brown, an insurance brokerage, detracted amid slowing insurance growth. Market sentiment has shifted away from steady growers and more defensive positions in favor of high-growth equities. We retain conviction in the name, given Brown & Brown's solid market position.

Alcon shares detracted after the eye care firm missed sales estimates in its latest quarter due to a relatively soft surgical market. Management also reduced its full-year revenue outlook on lower market growth assumptions. Our conviction remains high given Alcon is the market leader in eye care and its scale allows it to invest more in research, development and sales than competitors.

Atlassian shares underperformed as investors are concerned that software developer jobs, which is Atlassian's main customer base, may be at risk from AI.

Republic Services, a waste management leader, detracted as market sentiment shifted away from more defensive positions in favor of high-growth equities. The company nonetheless delivered steady results, driven by recurring revenue and robust free cash flow, and we remain confident in its potential for secular growth and cyclical upside.

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Sandisk	1.38	147.41	1.55
Lam Research	2.89	37.84	0.90
Western Digital	1.23	87.83	0.68
KLA	3.41	20.67	0.52
Bank of NY Mellon	4.17	20.22	0.49

Security	Avg. Weight (%)	Total Return (%)	Allocation Effect (%)
Fidelity National	3.41	-18.51	-0.84
Brown & Brown	2.38	-15.27	-0.52
Alcon	2.23	-15.60	-0.50
Atlassian	1.56	-21.36	-0.48
Republic Services	3.12	-6.72	-0.40

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

Sharpening portfolio quality and relevancy

In the third quarter, we refined the portfolio with a focus on the competitive positioning of our holdings.

We added NXP Semiconductors, a leader in analog and embedded semiconductors with more than half of its revenue tied to autos and a strong position in industrial end markets. We believe NXP is well positioned to benefit from rising semiconductor content per vehicle and the growth of industrial automation, supported by its robust design pipeline and customer relationships. We reinitiated a position in BILL Holdings, a category-leading financial operations platform in the vast and underpenetrated market for small and medium-sized businesses. We believe there is meaningful room for revenue acceleration as more small and medium-sized businesses digitize back-office workflows, and management is refocusing on operating margin improvement.

Within Industrials, we reinitiated a position in Verisk Analytics, a wide-moat, mission-critical data and analytics company for the property and casualty insurance industry. We see Verisk as a key beneficiary as the property and casualty industry adopts AI, enabling its data platform to empower deeper insights and improved underwriting accuracy. We also added StandardAero, the largest independent provider of aircraft engine maintenance and component repair. StandardAero benefits from aging fleets, original equipment manufacturer outsourcing and long-term growth in global air travel. We believe that StandardAero has an attractive return profile supported by durable demand and margin expansion potential.

Health Care remained an area of focus, with new investments in Edwards Lifesciences and Insulet. Edwards is a global leader in heart valve innovation with above-peer reinvestment in research and development and substantial scale. Insulet's proprietary tubeless insulin pump provides durable competitive advantages and a long runway for growth as the company expands into the larger Type 2 diabetes market. These additions modestly increased the portfolio's Health Care exposure, though we remain underweight the sector relative to the Russell Midcap Index.

To fund these additions, we exited Copart, The Trade Desk and J.B. Hunt Transport Services. While Copart and The Trade Desk operate in very different industries, they're both suffering from increased competition. The excess capacity in J.B. Hunt's intermodal market could lead to subpar operating margins for longer than we initially appreciated.

Outlook

Bullish while positioned for opportunity amid volatility

Stocks have rallied meaningfully since the market bottom in early April, with the Russell Midcap Index rebounding by more than 30%. Much of these gains have accrued to stocks that are enabling or benefiting from AI, as overall economic growth remains subdued, with moderating gross domestic product and above-target inflation. Key sectors of the economy, including housing and manufacturing, remain mired in multiyear downturns. In an environment where growth is scarce, the valuation premiums that investors are willing to pay for fast-growing stocks increased. The concentration of stock market returns in the highest valuation stocks is a risk factor that we continue to monitor. With this market backdrop, mid cap stocks remain particularly compelling: they offer enough scale to mitigate downside and sufficient growth flexibility to capture upside, with aggregate valuations that are in line with their longer-term averages.

Looking ahead, we see a wide range of potential outcomes. Economic growth may broaden as the Fed begins to lower rates and businesses adjust to the tariff environment, or growth could be constrained if investment and consumer spending remain soft. Meanwhile, AI adoption could exceed expectations, driving continued market leadership by select names, or the pace of monetization could prove slower than markets currently discount.

We continue to position the portfolio to pursue outperformance in any environment, by selecting stocks that reflect our conviction in their market leadership and the strength of their business models. We are invested in semiconductor stocks that are direct beneficiaries of AI, as well as stocks whose industries are at cyclical lows and could rebound next year, including Old Dominion Freight Line and Agilent. We're also invested in economically resilient industries like insurance, business staples and information services, which should provide downside protection if the economy falters. We favor companies with durable revenue growth, pricing power and strong balance sheets that can deliver earnings growth over a full business cycle. We believe the portfolio's diversified exposure to secular growth themes, combined with a disciplined emphasis on quality and downside protection, positions the portfolio to participate meaningfully in upside while navigating through market uncertainty.

Quarterly Portfolio Activity

Activity	Security Name	Ticker	Sector	Rationale
Bought	NXP Semiconductors NV	NXPI	Information Technology	NXP Semiconductors is an innovative global leader in security, processing and sensing technologies for automotive, industrial, mobile and internet-connected products. Its moat is supported by switching costs created by long design cycles and deep customer integration. The company's high level of customization has enabled it to expand its margins.
Bought	Verisk Analytics	VRSK	Industrials	We reinitiated a position in Verisk, a leading provider of data and analytics for the insurance industry. The company's unique data set gives Verisk a wide moat that positions it to increase revenue through innovation. The company stands to benefit from the adoption of AI in the insurance industry.
Bought	Edwards Lifesciences Corp.	EW	Health Care	Edwards Lifesciences is the global leader in transcatheter heart therapies. We believe the company's ability to deliver margin expansion and long-term growth as minimally invasive procedures gain adoption is underappreciated.
Bought	Insulet Corp.	PODD	Health Care	Insulet is the sole manufacturer of a tubeless insulin pump to treat diabetes. The company has durable competitive advantages from its intellectual property and proprietary production processes. Insulet's addressable market has the potential to significantly increase if it expands from Type 1 diabetics to the larger population of Type 2 diabetics.
Bought	BILL Holdings Inc	BILL	Information Technology	We reinitiated a position in BILL Holdings, a category leader in payments and financial operations automation focused on small and medium-sized businesses. The company benefits from a wide moat driven by its distribution partnerships, network effects with thousands of accounting firms and relationships with leading financial institutions. BILL's large and underpenetrated addressable market provides a long runway for growth, and we took advantage of buying the stock at a compelling valuation.
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 in the commercial, military and business aviation markets. Engine maintenance, repair and overhaul work is predictable and nondiscretionary, and StandardAero has opportunities for growth from servicing new engines and working with more aircraft owners.
Sold	Copart Inc.	CPRT	Industrials	We exited Copart because of rising competitive intensity in its industry.
Sold	The Trade Desk	TTD	Communication Services	The Trade Desk provides a leading demand side platform used in digital advertising. We exited the stock because of competitive pressures from Amazon entering the space.
Sold	J.B. Hunt Transport Services Inc.	JBHT	Industrials	We exited trucking and logistics company J.B. Hunt amid continued freight weakness and reallocated the proceeds to faster-growing businesses trading at attractive valuations.

Sector Weights

As of 09/30/25

Sector	% of TNA	Russell Midcap
Communication Services	N/A	4.4
Consumer Discretionary	8.3	11.8
Consumer Staples	2.6	4.8
Energy	N/A	5.7
Financials	21.4	15.2
Health Care	7.1	9.3
Industrials	21.3	18.1
Information Technology	26.1	12.2
Materials	2.2	5.0
Real Estate	7.5	7.2
Utilities	2.8	6.3
Cash and Other	0.6	N/A

Ten Largest Holdings

As of 09/30/25

Security	% of TNA
The Bank of New York Mellon Corp.	4.4
CBRE Group Inc., Class A	4.1
KLA Corp.	3.9
Lam Research Corp.	3.6
Cboe Global Markets Inc.	3.2
Ferguson Enterprises Inc.	3.1
TransUnion	3.1
Fidelity National Information Services Inc.	3.0
Republic Services Inc., Class A	3.0
Autodesk Inc.	2.9

Holdings are subject to change.

Portfolio Managers

**Lori Keith**Director of Research,
Portfolio Manager

Experience: 31 years

**Ian Sexsmith, CFA**Portfolio Manager,
Senior Analyst

Experience: 21 years

Glossary

Earnings Growth is the change in an company's reported net income over a period of time.

Price/Earnings (P/E) Ratio is a ratio of a stock's current price to its per-share earnings over the past 12 months (or "trailing" 12 months); whereas, a Forward Price/Earnings (PE) Ratio is calculated using forecasted earnings.

Forward Price/Earnings (PE) Ratio is calculated using forecasted earnings. Return on Equity (ROE) is the measures of a company's net income divided by its shareholders' equity.

S&P 500® Index: (registered trademark of The McGraw-Hill Companies, Inc.) 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, but mutual fund returns do.

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 Midcap® Index is a widely recognized index of common stock prices. The Russell Midcap Index is a market capitalization-weighted index that measures the performance of the 800 smallest companies in the Russell 1000® Index, which represent approximately 30% of the total market capitalization of the Russell 1000 Index. 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.

1. As described in the Fund's current prospectus dated April 28, 2025, as Amended and Restated September 22, 2025, Parnassus Investments has contractually agreed to reduce its investment advisory fee to the extent necessary to limit total operating expenses to 0.95% of net assets for the Parnassus Mid Cap Fund (Investor Shares) and 0.75% of net assets for the Parnassus Mid Cap 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. The net expense ratio is what investors pay.

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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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.