



Insights to Prepare Your Practice for the Growth of ESG investing

September 15, 2022

A Pioneer in Responsible Investing

Firm Overview

- Established in 1984 by Jerome Dodson
- Research driven
- 63 employees—16 investment professionals
- Dedicated ESG Stewardship team
- Policy to avoid fossil fuels

Core Values

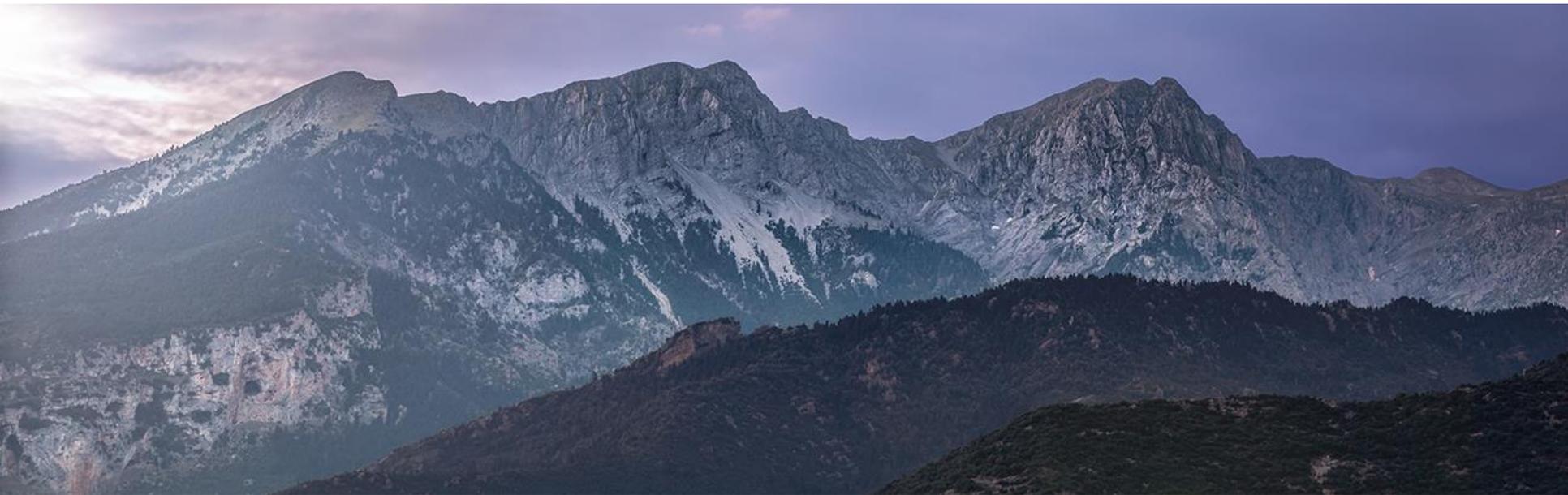
- Principled—Guided by integrity and respect
- Collaborative—Team-oriented culture
- Always learning—Committed to creating value
- Shared success—Alignment with investors' long-term goals

Principles *and* Performance®

- Responsible investing is all that we have ever done
- Fully integrate fundamental and environmental, social and governance (ESG) research in every investment decision
- Committed to delivering attractive, sustainable long-term risk-adjusted results



Chart shows growth of the firm's AUM in billions since 12/31/85 to the most recent quarter end. The Parnassus Funds are fossil fuel-free funds, meaning they do not invest in companies that derive significant revenues from the extraction, exploration, production or refining of fossil fuels; the Funds may invest in companies that use fossil fuel—based energy to power their operations or for other purposes.



What is Responsible Investing

Types of Responsible Investing

Responsible investing ranges from negative screening of undesirable attributes to more sophisticated methodologies, including ESG integration, sustainability and impact investing.

Exclusions and Screens

- Belief or values-based
- Usually by activity — weapons, gambling, alcohol, tobacco, pornography, nuclear energy
- Portfolio construction based on ESG scores

ESG Integration

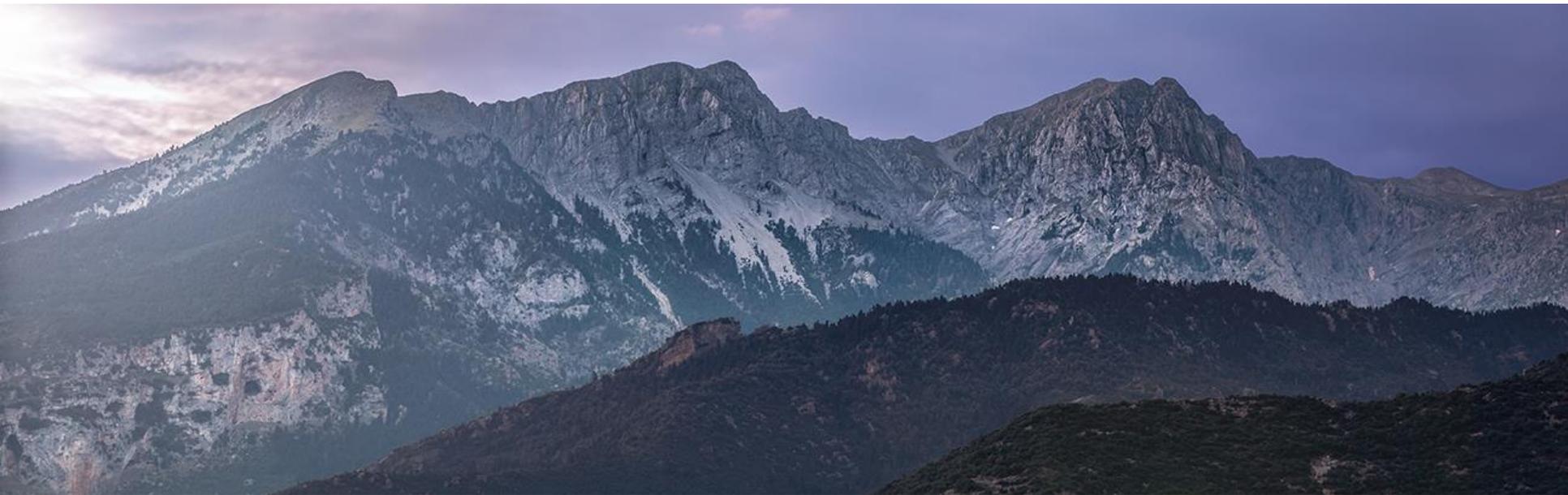
- Investment analysis-based
- ESG criteria is integral to portfolio construction
- Company engagement on ESG topics
- ESG insights used as a source of risk management

Thematic

- Investing to make an intentional social or environmental outcome
 - Opportunities in underappreciated companies that address sustainability challenges
- Focused investment strategies drive investment selection

Impact Investing

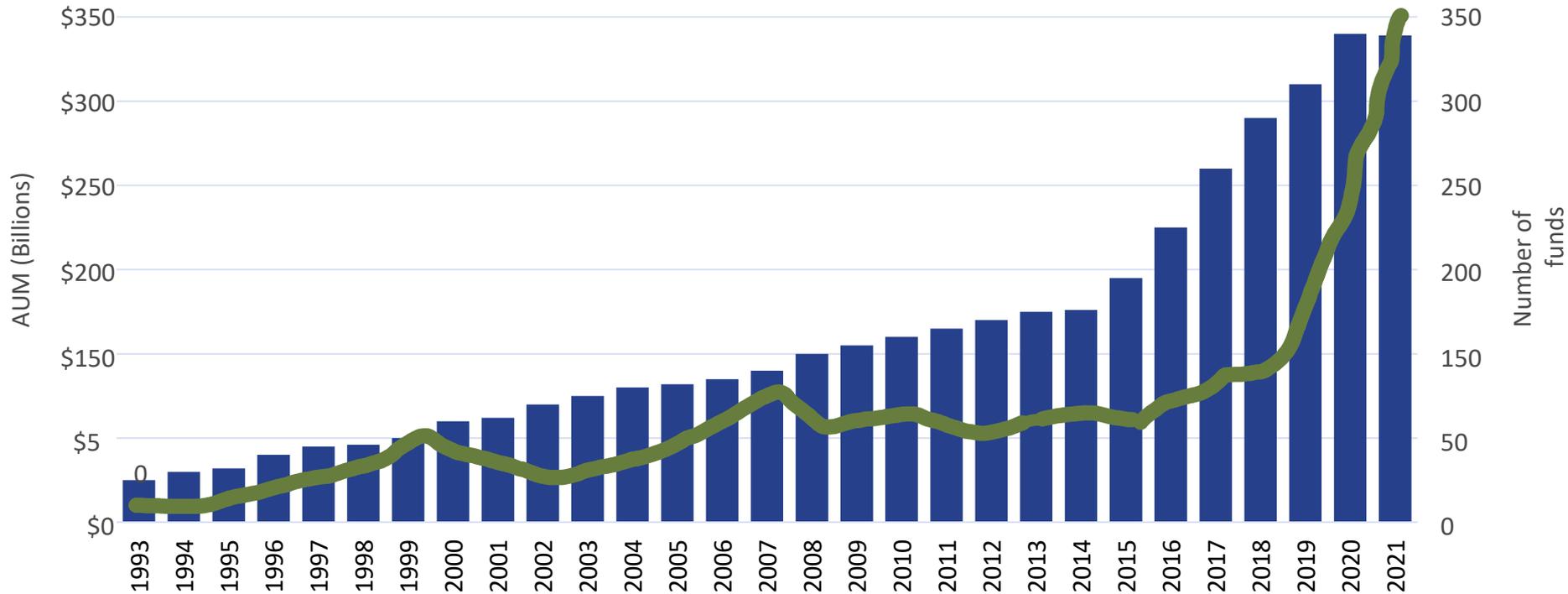
- Social and environmental considerations take precedence over financial returns:
 - Typically aligned with certain themes (microfinance, community development, green bonds, etc.)
 - Undertaken to positively effect social change



Where is ESG Demand Coming From?

ESG Is Not a Niche Market

Actively Managed ESG Fund Growth 1993-2021

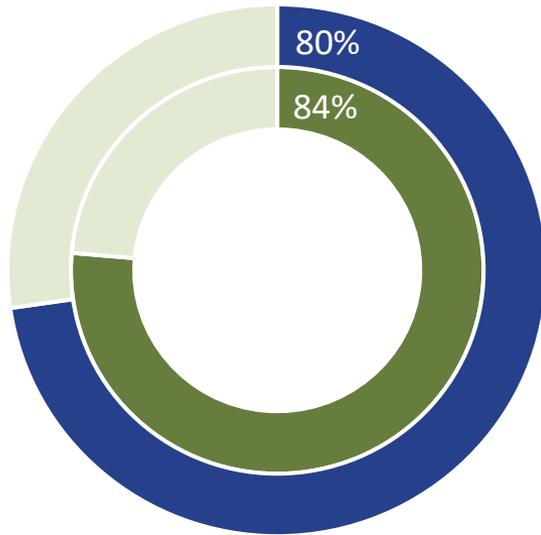


Graph Source: Morningstar Direct, as of 12/31/21. Year-end data illustrated.

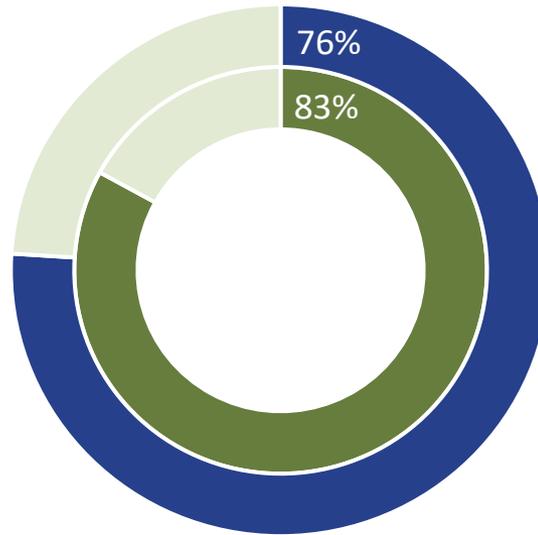
People Care About ESG

ESG commitments are driving consumer purchases and employee engagement

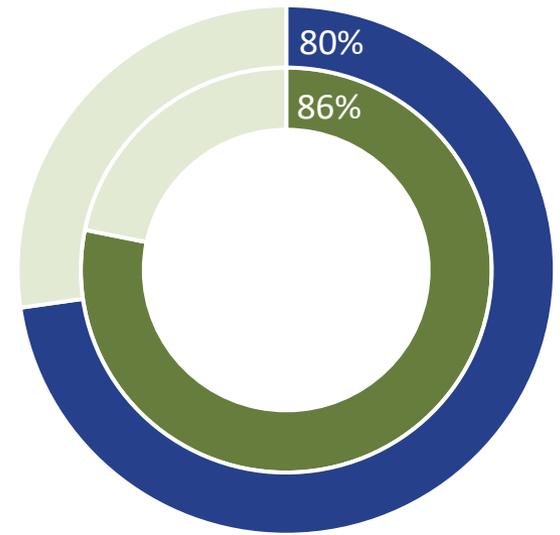
I am more likely to buy from/work for a company that stands for...



Environmental



Social



Governance



Source: <https://www.pwc.com/us/en/services/consulting/library/consumer-intelligence-series/consumer-and-employee-esg-expectations.html>

Various Investor Age Groups Are Interested in ESG

Gen Z (aged 21 to 24)

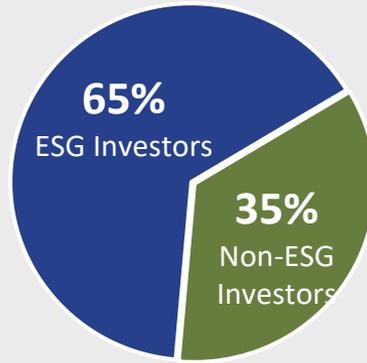


Average percentage of investments in ESG products: 35.3%

Top 3 investment types:

- Stocks/Equities (66%)
- Insurance-linked products (38%)
- Passives and ETFs (36%)

Young Millennials (aged 25 to 34)

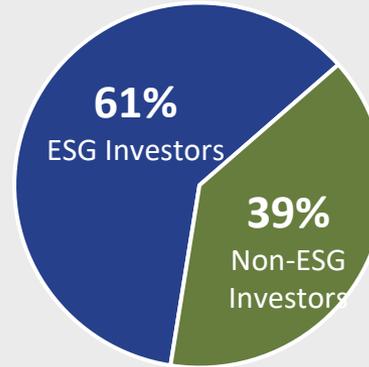


Average percentage of investments in ESG products: 34.1%

Top 3 investment types:

- Stocks/Equities (78%)
- Insurance-linked products (50%)
- Passives and ETFs (45%)

Older Millennials (aged 35 to 44)

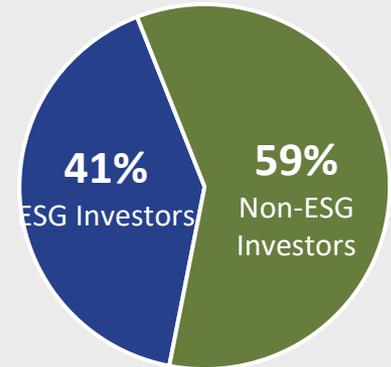


Average percentage of investments in ESG products: 29.6%

Top 3 investment types:

- Stocks/Equities (76%)
- Insurance-linked products (52%)
- Passives and ETFs (45%)

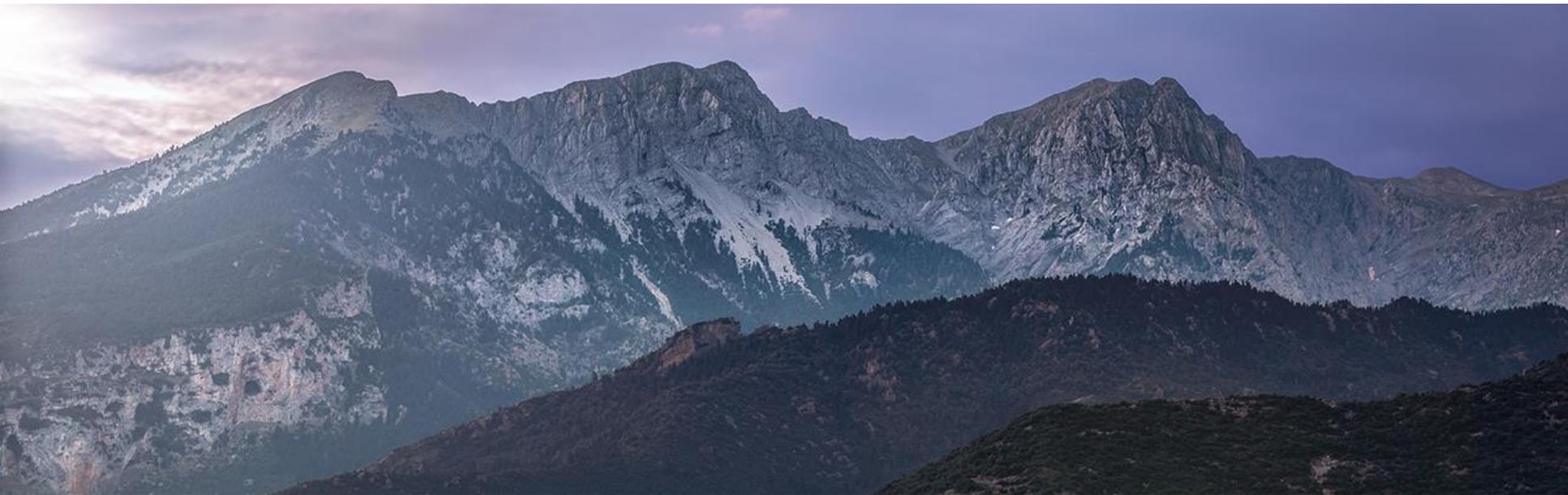
Gen X/Baby Boomers (aged 45 and above)



Average percentage of investments in ESG products: 27.6%

Top 3 investment types:

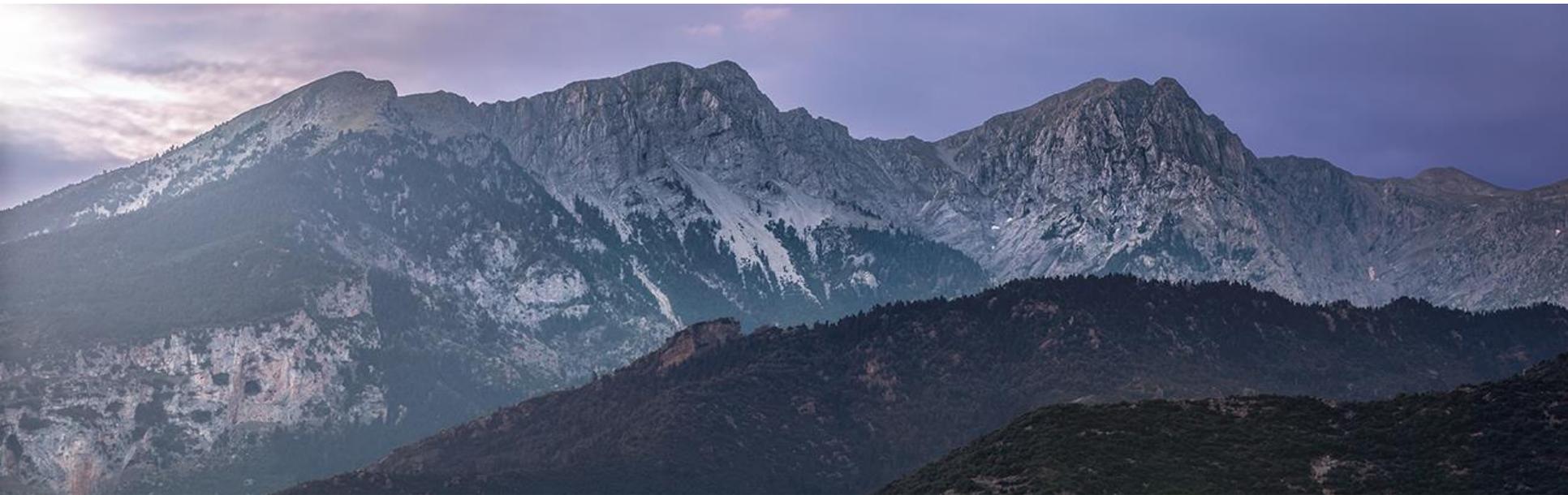
- Stocks/Equities (76%)
- Insurance-linked products (50%)
- Passives and ETFs (38%)



Why Integrate ESG Into Your Practice

Benefits For Advisors to Integrate ESG

- Build better client relationships
- Help retain and attract clients
- Differentiate your practice
- May enhance financial performance
- Clients are interested in ESG



What to look for when selecting an ESG fund

Different Approaches to Express ESG Interests

Many strategies to address your client's ESG needs

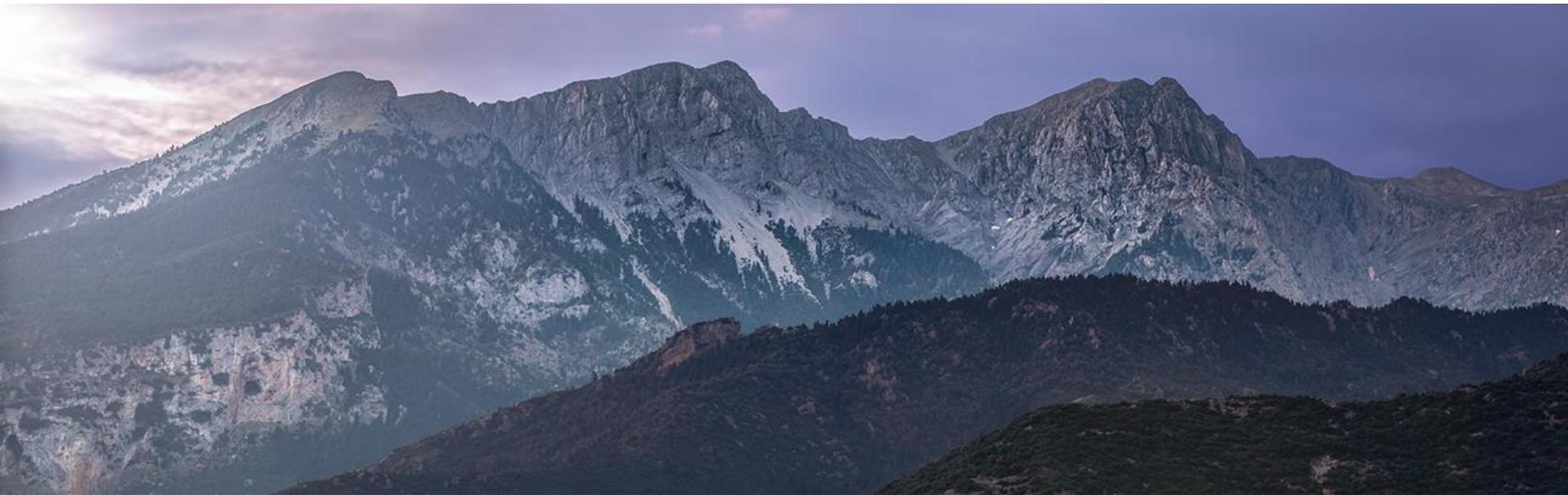
Diversified ESG portfolio, clean water, solar, agriculture, clean energy

Vehicle Types

Mutual Funds, ETFs, indexing

ESG 3rd party services

Provide portfolio analysis aligned with client ESG interests



Common Questions or Objections

ESG Industry Misperception's

Misperception

ESG is just a current fad, hot topic or fading trend

Misperception

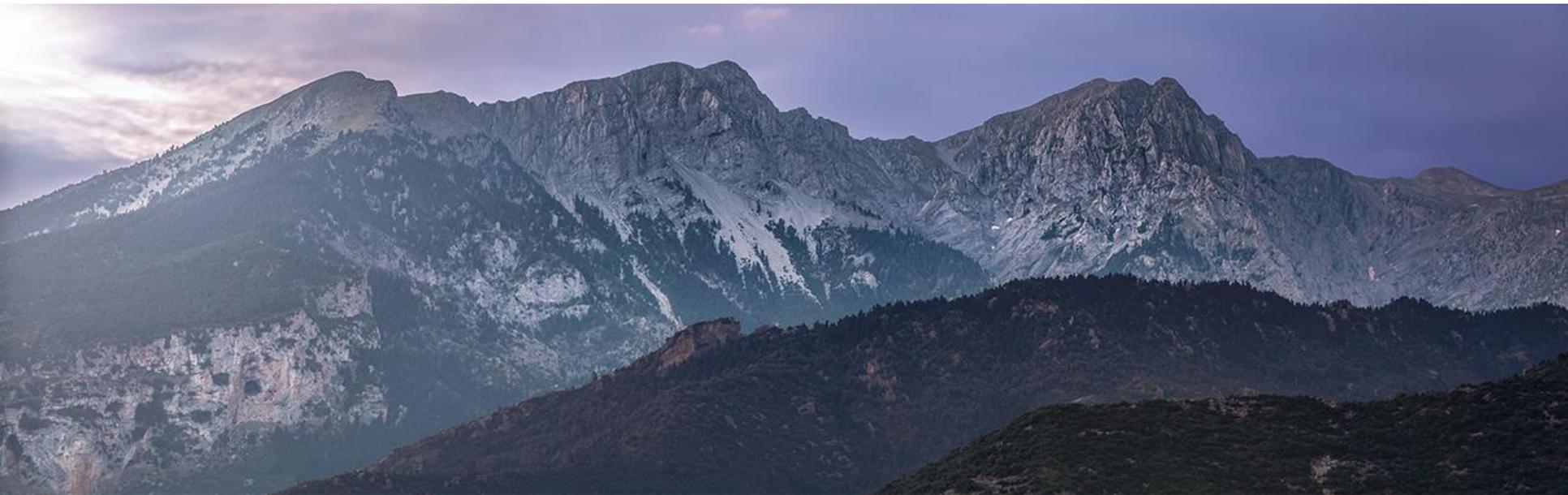
ESG is a niche market. Investors talk about ESG but do not invest in it

Misperception

ESG is a scam. It is just a bunch of greenwashing, marketing hype or extremism

Misperception

You cannot effectively measure the effect of ESG and Impact investments



Educational Tools

ESG is Not Scary, Start With the Basics

- Read industry publications, emails
- Attend ESG conferences, follow industry leaders
- Educational ESG certificates
- Parnassus Investments practice management program

Key Takeaways

- ESG is not a fad, ESG investing is here to stay
- Advisors who ignore the move into ESG investing do so at their peril
- Investors who know about and understand ESG want to be invested in these types of strategies
- Before incorporating ESG into their practice, advisors need to prepare
- Start with ESG at the core of a portfolio and consider tax consequences
- Advisors have a growing list of ESG investment options, tools and resources

Important Information

There are no assurances the investment objectives will be achieved, and no guarantees the socially responsible investment strategies discussed will be successful.

Risks: Investing involves risk, including the possible loss of principal. 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, Parnassus Investments may invest in small- and/or mid-cap companies, which can be more volatile than large-cap firms. Bond fund values fluctuate in response to the financial condition of individual issuers, general market and economic conditions, and changes in interest rates. In general, when interest rates rise, bond fund values fall, and investors may lose principal value. Security holdings can vary significantly from broad market indexes.

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.

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