

Deep Dive

Two stock picks for long-term growth as people keep moving away from cash

A highly rated fund manager makes a five-point case for Mastercard and Visa to continue dominating the payment-processing space

By Philip van Doorn

Sometimes, investors need to be reminded that “old reliable” companies whose services we take for granted can still innovate, remain competitive and put up excellent numbers for years.

Krishna Chintalapalli, portfolio manager of the Parnassus Value Equity Fund, believes Mastercard Inc. and Visa Inc. are well positioned as people around the world continue to move away from using cash for purchases, despite competition from newer players in the space.

The Parnassus Value Equity Fund has \$4.6 billion in assets under management and is rated four stars (out of five) within Morningstar’s “large value” investment category. The fund held 45 stocks as of Aug. 31. According to Chintalapalli, the fund’s objective is to buy or add to stock positions when those companies are “out of favor” with investors, though that doesn’t mean all of the holdings of the fund are cheaply valued.

During an interview with MarketWatch, Chintalapalli explained that he might continue holding a stock for years, even if it is trading at a much higher



Mastercard and Visa have outperformed the S&P 500 over the past 10 years, while their compound annual growth rates for earnings per share have been much higher than the weighted EPS growth rate for the index.

valuation than when he purchased it, “if we believe the upside hasn’t reached full potential.”

An example is Oracle Corp., which made up 1.6% of the fund’s portfolio as of Aug. 31. The stock had returned 37% for 2025 through that date, and was

up another 25% from Aug. 31 through Sept. 29, for a year-to-date return of 71%. (All investment returns in this article include reinvested dividends.)

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“We bought Oracle in 2022 when people were not debating anything about the stock,” Chintalapalli said, adding that he had trimmed the position in the meantime.

“Stocks take a long time to play out to full potential,” he noted. “We try not to trade in and out on a yearly basis.”

The case for Mastercard and Visa

Here are total returns for Mastercard and Visa over 10 years through Monday, compared with that of the S&P 500:

One of the reasons that Mastercard and Visa have been such strong performers is that they have compounded their earnings per share so quickly. For 10 years through 2024, Mastercard’s compound annual growth rate for EPS was 16.2%, just ahead of Visa’s EPS CAGR of 16.1%, according to data supplied by LSEG. In comparison, the S&P 500’s weighted EPS CAGR for 10 years through 2024 was 7.8%.

Looking ahead, Mastercard’s EPS CAGR is projected to be 16.3% from 2025 through 2027, while Visa’s two-year projected EPS CAGR is 12.2%, based on consensus EPS estimates among analysts polled by LSEG. For the S&P 500, the EPS CAGR from 2025 through 2027 is expected to be 8.3%.

Chintalapalli, who is based in San Francisco, made five points to support his long-term expectation that Mastercard and Visa will remain competitive and continue to compound EPS at a rapid pace:

- **Multiples to GDP:** People continue to increase their use of cards and other electronic means to make payments, instead of using cash. “Facilitation of cash to card is a multiplier to GDP because it is faster than GDP [growth],” Chintalapalli said.
- **Network effect:** This is tied into globalization and the greater acceptance of card payments by all sorts

of merchants, and it takes in other financial-services trends. Chintalapalli said there was a perception that as more people accepted stablecoins or payment apps, Visa and Mastercard could be cut out of the loop.

“What we have actually found is they have to come back to Visa and Mastercard because of the network effect” and the need for authentication, he noted.

- **International growth:** Visa has a larger market share than Mastercard has in the U.S., but the situation is the opposite in other markets, Chintalapalli said. More generally, he added: “If you believe the long-term trend is more people will transact, travel and need money when they travel, Visa and Mastercard remain the best way to play, particularly with the wealthy consumer.”
- **Value-added services:** “Almost 30% to 40% of the revenue for Visa and Mastercard comes from value-added services and other services they are providing to merchants,” including analytics, Chintalapalli noted.

- **Agentic AI commerce:** This refers to the use of artificial intelligence to conduct business; for instance, “you tell your AI agent to book a flight for you,” Chintalapalli said. “You might see more commerce happening because of that, which would benefit the companies that facilitate transactions.”

Fund holdings and competitors

Below are the largest 10 holdings of the Parnassus Value Equity Fund as of Aug. 31. Together, they made up 34% of the portfolio.

The table includes forward price-to-earnings ratios, which are Monday’s closing prices divided by consensus EPS estimates among analysts polled by LSEG. In comparison, the S&P 500 trades at a weighted forward P/E of 22.4.

The Parnassus Value Equity Fund is benchmarked for performance to the Russell 1000 Value Index. The firm launched an exchange-traded fund following a similar but more concentrated strategy in December; this is the Parnassus Value Select ETF, which is designed to hold 25 to 30 stocks.

Company	% of Parnassus Value Equity Fund as of Aug. 31	Forward P/E
CBRE Group Inc.	3.9%	22.6
S&P Global Inc.	3.8%	26.2
Bank of America Corp.	3.6%	12.7
Deere & Co.	3.5%	22.7
JPMorgan Chase & Co.	3.4%	15.4
Bank of New York Mellon Corp.	3.3%	14.3
Mastercard Inc.	3.3%	30.9
Alphabet Inc.	3.2%	23.2
Cummins Inc.	3.0%	17.1
Charles Schwab Corp.	2.8%	18.5

Sources: Parnassus Investments, LSEG

A screen of mutual funds that are benchmarked to the same index and have been operating for at least 10 years ranked Parnassus in second place for 10-year total return, net of expenses, according to data supplied by LSEG.

Here are the five top-performing mutual funds over the past 10 years per that screen, followed by two value ETFs and the SPDR S&P 500 ETF Trust at the bottom.

All returns are net of expenses and net of any sales charges. The Parnassus Value Equity Fund's investor share class has no sales charge and has annual expenses of 0.88% of assets under managements, which makes for \$88 in annual fees for a \$10,000 investment.

Mutual fund or ETF	10-year return	Expense ratio
Independent Franchise Partners U.S. Equity Fund	314%	0.67%
Parnassus Value Equity Fund – Investor	276%	0.88%
Oakmark Fund – Investor	269%	0.89%
Dodge & Cox Stock Fund – Class I	246%	0.51%
BNY Mellon Dynamic Value Fund – Class A	244%	0.93%
iiShares Russell 1000 Value ETF	177%	0.18%
Invesco Dynamic Large Cap Value ETF	199%	0.55%
SPDR S&P 500 ETF Trust	318%	0.0945%

Sources: LSEG, State Street